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SUGAR BEET
Refined arguments go to Brussels
Page 30

World News

Violence mars eve of Middle East peace talks

Two Israeli settlers were shot dead and five wounded in an ambush on a bus in the occupied West Bank, less than 48 hours before Middle East peace talks were to begin in Madrid.

The death of an American soldier and the wounding of an Egyptian diplomat in car bomb blasts in Ankara, Turkey, were also linked to the talks. Page 22

Polish stalemate
President Lech Walesa of Poland must today start forming a new government after Sunday's elections created a fractured, multi-party parliament of more than 10 parties. Page 4

Greek PM faces crisis
Greek premier Constantine Mitsotakis faces growing criticism over failure to solve serious economic problems and his own image as a leader. Page 22

Pentagon fraud charges
Eight former executives of a Florida defence firm, including retired four-star army general Wallace Nutting, and two ex-civil servants, were indicted in Tampa, Florida, on charges of defrauding the Pentagon of more than $40m in a contract for ammunition fuses.

Republics give pledge
Twelve Soviet republics, under strong pressure from Group of Seven representatives, agreed a commitment to share responsibility for the Soviet Union's existing foreign debt. Page 4

Foreign editor sacked
Nicholas Davies, foreign editor of the Daily Mirror in London, was sacked over untrue denials of a visit to Ohio. The move followed the launching of an internal inquiry into allegations linking him to US arms dealers and Israeli intelligence.

Airlines 'bleeding'
The airline industry is bleeding to death following a huge increase in costs as a result of the Gulf war, International Air Transport Association director-general Gunter Eser said in Nairobi. Page 6

Ulstermen sentenced
Three Northern Ireland Protestant extremists and an American arms dealer were given suspended sentences in Paris for trying to sell South Africa an anti-aircraft missile.

Havel shouted down
Czechoslovak president Vaclav Havel left the rostrum at a political rally in Bratislava when irate Slovak nationalists shouted him down.

Mulroney withdraws
Canadian premier Brian Mulroney formally withdrew his name from consideration for the post of UN secretary general. Page 4

France shuts consulate
France closed its consulate in Zaire's second city of Lubumbashi after evacuating all its nationals. Last-ditch talks to avoid chaos, page 6

Wives win the vote
Wives won the right to vote in Algeria's first multiparty general election when the constitutional council threw out a law that would have let husbands vote in their place.

Baltics go for gold
The newly-independent Baltic states of Estonia, Latvia and Lithuania are to demand compensation for Baltic gold deposited with the Bank of England before the Soviet occupation of 1940. Page 4

Backing for Menem
Argeotina's ruling Peronist party should hold three of tha six provincial governorships at stake in elections which bave provided backing for the economic reforms of President Carlos Menem. Page 4

Business Summary

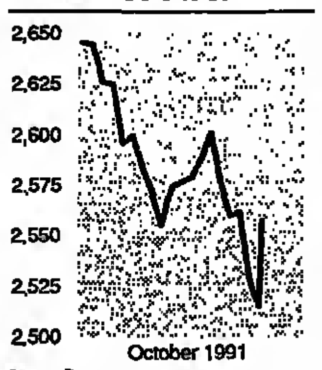
London stocks see biggest one-day rise in two months

The London stock market saw the biggest one-day rise in share prices for two months arising from hopes of a brighter outlook for the economy. In spite of increased investor interest in equities, trading volumes were low and the rise in prices lacked momentum.

The FT-SE 100 index of leading stocks closed at 2,568.5, up 43.8 on Friday's close. The rise was about half the drop in prices last week, and the market now stands at about the same level as in mid-August, when it last experienced a comparable one-day increase.

On Wall Street, the Dow Jones Industrial Average gained 40.70 to 3,045.62, after fresh hopes of lower interest rates when Alan Greenspan, Federal Reserve chairman, said the economy had turned sluggish. Page 8; Lex, Page 22; Limited room for manoeuvre, Page 21; London stocks, Page 31; Wall Street, Page 42

FT-SE 100 Index



Source: Datastream

BRITISH Aerospace's rights offering is expected to be one of the biggest flops in recent UK corporate history, with only 5 to 6 per cent of the new shares taken up. The £432m ($738m) issue is the biggest failure since British Petroleum's offer was affected by the London stock market crash of October 1987. Page 23

US ECONOMY: Federal Reserve Board chairman Alan Greenspan told a Rhode Island business conference that the economy had lost steam and the recovery had slowed. Page 4

LUCAS Industries, UK automotive and aerospace components group, forged a long-term partnership with the aero-engine division of General Motors of the US in a deal which could be worth up to $3bn in export orders for the UK company in the next 20 years. Page 23

JAPAN Airlines ordered 20 of Boeing's new 777 twin-engine wide-body airliners, worth about $2bn. Page 7

TRADE: negotiators in the North American free trade talks said they are ready to start on the treaty text. Page 7

DAIMLER-Benz, Germany's biggest industrial group, confirmed that it plans a rights issue, possibly for DM2bn ($1.1bn), for the second half of next year. Page 23; Lex, Page 22

BANCOMER, Mexican bank, saw the government sell 51 per cent of the equity for $2.55bn. Page 23

RWE, German conglomerate, saw annual profits rise 10 per cent to DM863m ($504m) after the oils and chemicals division, recently expanded by the $590m acquisition of Vista Chemicals of the US, contributed to better turnover and profits. Page 23

ELKEM, Norwegian light metals producer, saw losses deepen further, before extraordinary items, in the first nine months of the year, after the loss of NKr367m ($55.1m), against a NKr40m deficit in the previous corresponding term. Page 24

GENCOR, South Africa's second largest mining house, plans a R2bn rights issue in spite of a decline in attributable income to R1.4bo ($490m) from R1.48bn. Page 25

Dutch offer UK chance to opt out on fiscal union

By David Buchan in The Hague

THE Dutch presidency of the EC last night tabled a monetary union treaty giving Britain a let ont, but said it hoped no EC state would opt out of a the commitment to a single currency.

Mr Wim Kok, the Dutch finance minister, said he would ask all EC governments, including the UK, to sign a declaration at the Maastricht summit in December, to "express their strong preference for a swift transition" to the final stage of economic and monetary union (Emu).

Tbe Dutcb draft treaty allows any state, whose "parliameot does not feel able to approve the irrevocable fixing of its curreocy", to opt out by seeking "exemption".

Mr Kok said any state, not just Britain, could avail itself of this let out. But he clearly bopes to counteract the possibility that certain leading EC members, perhaps Germany, might take advantage of this by getting them to sign up to the Maastricbt declaration which would accompany the Emu treaty.

Signatories to this declaration would state tbat "it is their strongest lntention to participate in Emu witbout exemption", according to a draft text published last night. Mr Kok conceded that even signatories to such a declaration this year "migbt bave another opinion after hearing their national parliament" later in tbe 1990s.

The Dutch presidency does not expect its draft Emu treaty to suffer the same ignominious fate as its political text which was receotly thrown out by 10 of its 11 EC partners.

But he admitted that there were still important disagreemeots, such as the degree to which countries that were neitber economically ready nor politically willing to participate in the final stage of Emu could play a role in tbe planned European Central Bank (ECB).

"The last word has not been spoken on this", Mr Kok said. He was sure that a number of governments and central banks might take issue with the Dutch compromise. This would deny a full vote in tbe ECB to countries not participating in Emu, but would give governors of tbeir central banks an advisory role in the ECB. The Dutcb presidency has also launched an 11th-bour hid to give the European parliament a role in amending secondary legislation that would flow from Emu, and to strengthen the European Commission's role – vis-a-vis that of the ECB and that of the Council of Ministers – in running the common monetary policy. Mr Kok said it was important to make Emn democratic, but some of his partners will feel this risks exposing the independent ECB to political pressures.

In order to sidestep an essentially Franco-German argument over whether and when the ECB could be established in the 1994-97 transition, the Dutch have proposed that a European Monetary Institute (EMI) should be set up for the whole duration of the transition.

But even yesterday the central bank governors of the 12 were unable at their meeting in Basle to give the presidency a clear view on who should direct the EMI.

Another key issue has been the degree of economic convergence required of states wanting to join Emu.

The Dutch have proposed that no state should be fit for Emu, unless it has an inflation rate within one-and-a-half percentage points of the inflation rate of the three best performing member states in terms of price stability and long term interest rates of no more than two percentaga points above the three best performing EC economies. In addition it must have kept its currency, without any devaluation, within the narrow band of the Exchange Rate Mechanism for at least two years. end

■ The Dutch dare to tackle currency question head-on; Full accord evades central bank governors on monetary Institute; UK should not opt out, says Heath, Paga 2
■ WEU looks lor its place In tha llna ol defance, Page 3
■ Joe Rogaly: Ace in the hole, Page 21

Boris Yeltsin: His decision yesterday to free state-controlled prices was the 'most difficult' of his life

Russia braced for massive price rises

By Leyla Boulton and John Lloyd in Moscow

PRICES in Russia could rise between two- and four-fold this winter as a result of reforms being pushed through by President Boris Yeltsin.

Mr Yeltsin called for the mobilisation of the Russian people in readiness for a winter of unprecedented market reform. In what he called "the most difficult decision" of his life, he announced plans to free atate-controlled prices at a stroke this year, and to take personal charge of setting up and running a government of "national confidence" to implement sweeping reforms.

Mr Yeltsin presented the package to an extraordinary session of the Russian Congress of Peoples' Deputies, the supreme legislative body.

His decisioo to put his own authority and reputation behind the programme was criticised by some deputies who feared tbe powers he asked for carried an overly authoritarian stamp.

However, most depnties in the democratic camp afterwards expressed support.

The Russian leader promised there would be a safety net to protect the poorest sections of society from the effects of price reform – for which he gave no exact date.

He promised a tough anti-inflation policy, involving sharp spending cuts in defence, the state administration and subsidies to unprofitable enterprises. The budget deficit would be cut to almost zero by

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Baltics go for gold, Page 4
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Yeltsin's bitter pill, Page 21

Dubrovnik stands firm against advancing federal army

By Laura Silber in Dubrovnik

THE inhabitants of Dubrovnik vowed yesterday to defend their besieged Adriatic city in the breakaway republic of Croatia despite the rapid advance of the Yugoslav federal army and deteriorating sanitary conditions.

"It is a clash between culture and barbarians," said Mr Pero Poljanic, the mayor of Dubrovnik, referring to the army assault and the month-long siege which has cut off water, electricity and telephone lines.

Tbe federal army yesterday appeared to violate a four-day-old ceasefire agreed between it and Dubrovnik's officials, wben soldiers moved forward towards Dubrovnik to Zarkovica, a hill just beyond the gates of the old city.

The soldiers hoisted a Yugoslav flag as a reminder to the independence-minded Croats.

"I am shocked that the world and Europe have permitted this kind of crime and aggression against this city of great importance . . we will never surrender," Mr Poljanic said.

Dr Zoran Cikatic, director of the city's hospital, warned of the imminent danger of epidemics spreading through the town. He said the situation "is critical for refugees in hotels without water. Infection can easily spread."

Officials estimate 15,000 people from neighbouring war-torn regions have sought refuge in Dubrovnik.

Bnt the mood remains defiant among the city's population. People are refusing to surrender to an army ultimatum to hand over their weapons.

Mr Neven Matana, a Croat national guardsman dressed in combat fatigues, said: "We don't have enough ammunition. We have no heavy artillery, but we will fight."

Another Croat soldier, named Ifan, a Slavic Moslem volunteer from neighbouring Bosnia, said: "We will defend Dubrovnik to the last man."

Hundreds of people stand in the sunshine on the white-washed stone Stradun, the main pedestrian zone in the heart of the medieval walled city.

They point to buildings, the Rupe museum and the music school, which last week were damaged by army grenades. They have boarded-up and sand-bagged treasnred Venetian Gothic churches.

The stench of human excrement pervades the city. The sewage system has stopped working because of diminishing water supplies.

Despite continuing ceasefire negotiations, no one yesterday appeared to believe in the possibility of a lasting peace between the army and local Croat officials.

"I don't believe in those ceasefires. Every time there is an agreement, the army comes and shoots," said a woman who, fearing retaliation, refused to give her name.

"The aggression against Dubrovnik is Serbia's revenge. The army wants to use the city as blackmail regardless of the world's ontrage," she said.

Mrs Sara Marojica, honorary British consul in Dubrovnik, said: "People here are very proud of their

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Renault output crippled by strike at engine plant

By William Dawkins in Paris

RENAULT CAR production at six French and one Belgian factory was halted yesterday because of s strike at one of the Frencb state-owned carmaker's main component plants. The factories affected employ a total of 40,000.

Production will also stop today for five days at the Dutcb factory of Renault'a partner, Volvo, where another 8,000 people are employed. The Swedish group can no longer obtain Renault-made engines for its medium-sized 400 series.

The 10-day pay strike, a spectacular example of how quickly industrial action can cripple companies witb tigbt stock controls, has cost Renault "several bundred million francs" and will "seriously jeopardise" this year's results, according to Mr Michel Praderie, the group's secretary-general.

It will lead to shortages in showrooms and could lose market share, he said. France alone represents 60 per cent of group's car output.

The group last year reported a steep fall in net profits to FFr1.2bn ($200m) from FFr9.3bn in 1989.

Mr Raymond Lévy, Renault's chairman, condemned the blockage, by tbe communist-led CGT union, as illegal intimidation in a letter to employees. The group called on public authorities to lift the CGT pickets outside the Cléon plant, west of Paris, which makes gearboxes for the whole Renault range as well as small- and medium-sized engines.

Matra, producer of the Renault Espace family van, which uses gearboxes from Cléon, had to stop for two days last week but plans to restart prodnction at a reduced rate today after importing fresh supplies from Chile.

There was no sign of compromise yesterday, with the management refusing to renegotiate a 2.5 per cent pay rise which it says was agreed with the main unions in July. The deal did not, howevar, have the agreement of the CGT, which has been on the offensive since it lost its majority earlier this year on Renault's works council for the first time since in its post-war history.

Mr Praderie said Renault would talk to the CGT on "specific problems" once it lifted its pickets. He said 62 per cent of the Cléon plant'a employees had signed a petition saying thet they wanted to return to work, bnt dared not cross CGT picket lines.

Renault, like its competitors, has sharply rednced components stocks since the mid-1980s, alimming its working capital needs by FFr5bn over the past five years, estimates Mr Praderie.

At the same time, however, the group has been less quick than Japanese competitors to diversify its sourcing by buying components from outside suppliers. On average, half of each Renault car by value is sourced from in-house, according to its own figures, as against the Japanese norm of 30 per cent to 40 per cent, a components industry official estimates.

German car parts, Page 3

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Zambia's Kaunda rattled at spectre of election defeat

After 27 years in power, Presidant Kannath Kaunda, or KK as ha Is known to 8m Zambians, la facing tha strongest challanga of hia career in the form of tha first multiparty alections ainca 1968
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MARKETS

STERLING
New York: $1.6940 (1.694)
London: $1.7035 (1.7115)
DM2.91 (2.9125)
FFr9.935 (same)
SFr2.5525 (2.545)
Y225.0 (same)
£ Index 90.3 (same)

GOLD
New York: Comex Dec $360.80 (362.70)
London: $359.0 (361.75)

N SEA OIL (Argus)
Brent 15-day Dec $21.775 (21.90)

Chief price changes yesterday: Page 23

DOLLAR
New York close
DM1.71785 (1.7182)
FFr5.85985 (5.8605)
SFr1.5065 (1.5068)
Y132.315 (132.3)
London:
DM1.7090 (1.7015)
FFr5.8325 (5.805)
SFr1.4985 (1.4875)
Y132.15 (131.4)
$ index 65.1 (64.9)
Tokyo close: 132.25

US CLOSING RATES
Fed Funds $5\frac{3}{16}$% ($5\frac{3}{16}$%)
3-mo Treasury Bills: yiald: 5.083% (5.114%)
Long Bond: $100\frac{3}{32}$ ($100\frac{5}{8}$)
yield: 8.021% (8.062%)

STOCK INDICES
FT-SE 100: 2,568.5 (+43.8)
FT-SE Eurotrack 100: 1,097.04 (+5.79)
FT-A All-Share: 1,233.69 (+1.4%)
New York close
DJ Ind. Av. 3,045.62 (+40.70)
S&P Comp 389.52 (+5.32)
Tokyo: Nikkei 24,901.72 (−4.71)

LONDON MONEY
3-month Interbank: $10\frac{3}{16}$% (same)
Liffe long gilt future: $94\frac{3}{4}$ ($94\frac{5}{8}$)

THE DRAFT EMU TREATY

The Dutch dare to tackle currency question head-on

By David Buchan in The Hague

THE ONE big difference between the Dutch government's 33-page draft treaty on economic and monetary union (Emu), released last night, and the one issued by Luxembourg earlier this year is that the Dutch have at last faced full square the problem of how the Twelve are to take the fateful decision, in the late 1990s, to go for a single currency.

In essence, the conundrum is how to give Britain a let-out, without creating a bolt-hole through which others might escape their Emu commitments.

In other respects, too, the Dutch have not wasted the past four months of their presidency. They have expanded on the economic criteria which countries must meet to be judged fit to enter the final stage of Emu, which will be first attempted in 1997.

They have refined the necessary economic discipline which countries must obey once in the monetary union. They have given the European parliament a bit more of a role, and have sought to soothe the worries of weaker EC economies by stitching together a safety net for countries with transitional adjustment problems.

But the key provisions, on which the six weeks of negotiations remaining before the December summit in Maastricht will focus, concern:

● The transition. This period will last at least until end-1996, when the European Council, as the EC summit organisation is known, will decide whether the time is ripe for Emu, and, if so, when precisely it should start.

To be considered fit for Emu, a country must have a rate of inflation "close to that of the, at most, three best performing member states in terms of price stability"; have a "sustainable" budget position, without any "excessive" deficit; have kept within the narrow band of the exchange rate mechanism for at least two years; must have the durability of its convergence reflected in its long-term interest rates. These criteria are elaborated in separate protocols.

States which cannot meet these economic criteria but

'Exemption status' is reserved for Britain and, conceivably, any countries which might come to share its dim view of Emu.

which want to join Emu would get a "derogation", or temporary exemption. But formal "exemption status" is reserved for Britain and, conceivably, any countries which might come to share its present dim view of Emu.

For the first time, formal treaty language has now been tabled which states: "The Council [of ministers] shall not oblige a member state to participate in the third [final] stage if a member state has notified to the Council that the national parliament of the member state does not feel able to approve the irrevocable fixing of its currency at the provisional date [for Emu]." Any such state will get "an exemption".

Nowhere in the Dutch draft is this exemption status specifically limited to the UK. Therefore, Mr Wim Kok, the Dutch finance minister, is suggesting that Britain's partners might like to sign up to a solemn declaration at Maastricht, which would commit them politically to going right on to the end of the Emu road.

The European Council could only opt for Emu if there were at least seven countries ready and willing for the single currency. It would only go ahead if no more than five of the 12 EC states had derogation or exemption status.

If an EC summit failed to decide on Emu in 1997, it would, according to the Dutch, try every couple of years thereafter to succeed.

Moreover, "at least once every two years" a country could apply to the Council to have its derogation status expunged, while Britain would apparently be able to apply at any time to withdraw its exemption status.

The Dutch have also sought to ease the worries of the EC's weaker economies about being shut out of Emu for a long time by offering to review their cases once every two years after Emu has started.

● Monetary Union. The European Central Bank would have a six-person executive board "including its president and vice-president", who would be elected for eight years and who would run the federal banking system day to day.

The 12 governors of national central banks, whose terms would run for "not less than five years", (so as to be longer than the average parliamentary term and thereby insulate them from swings among governments), would also sit on the ECB's board.

Their duties would be to "define and implement" the EC's monetary policy, to conduct foreign exchange operations, to "hold and manage the official foreign reserves of the member states", to promote the "smooth operation of payment systems, and to contribute to a smooth conduct of policies relating to prudential supervision of credit institutions and the stability of the financial system".

So far, little heed has been paid to the ECB's watchdog role over ordinary banks. But there are macro-economic stipulations in the draft treaty which would forbid the ECB giving profligate governments overdrafts or bailing them out.

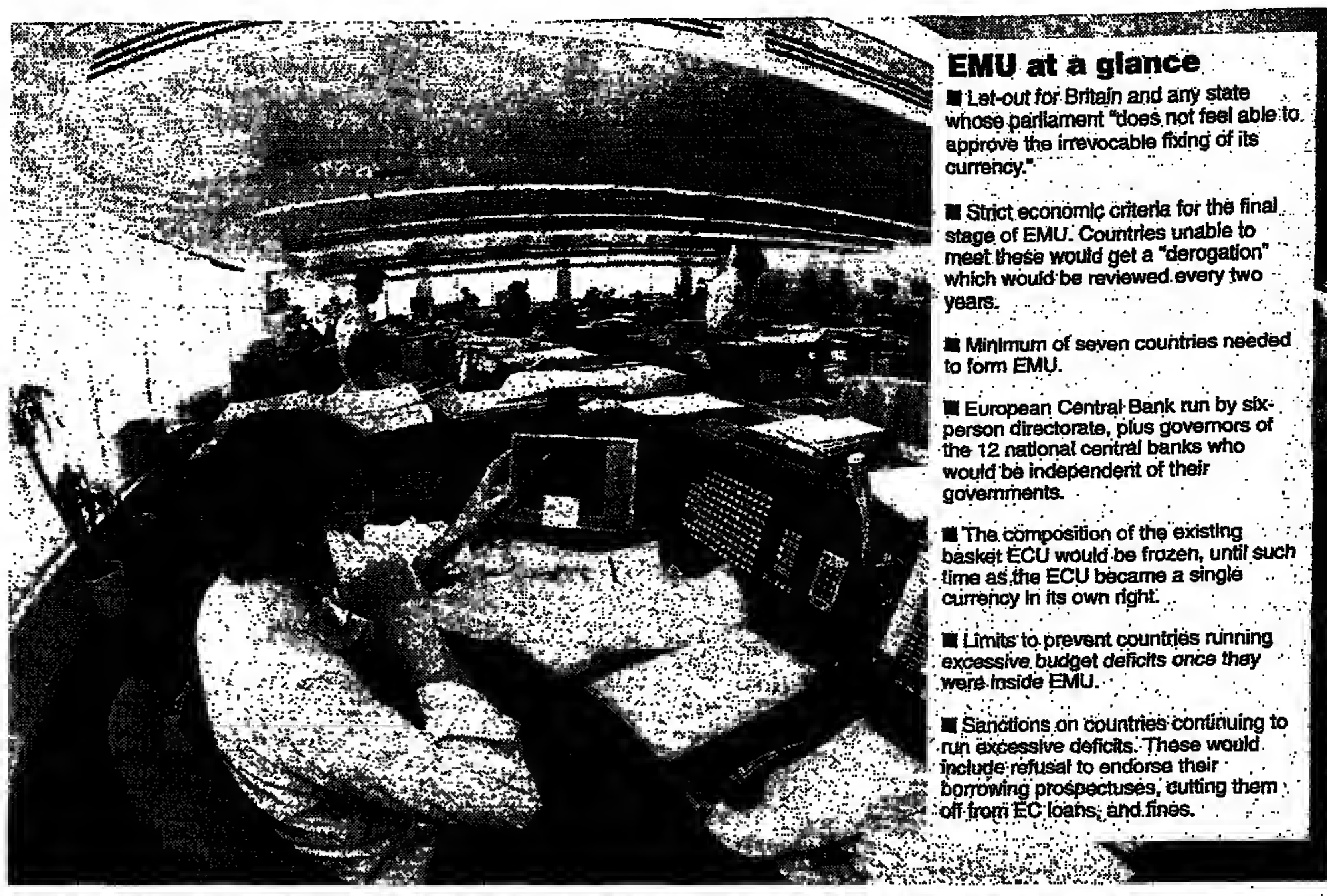
The Dutch draft does try to tackle the question of who – the ECB or the Council of Ministers – should set foreign exchange policy.

The issue is sensitive, because of fears, by Germany in particular, that the ECB might be directed to support a given rate of the Ecu against the dollar, which might lead to the creation of too many Ecus and thus to inflation, the designated number one enemy in the new system. The Dutch text says the Council should, "after consulting the ECB in an endeavour to reach a consensus consistent with the objective of price stability, determine an exchange rate agreement for the Ecu vis-a-vis other currencies".

● Economic union. The key questions here are the definition of what is an excessive budget deficit, and what to do about it.

Countries which run an annual deficit exceeding 3 per cent of their gross domestic product, and whose public debt amounts to more than 60 per cent of their GDP, would be considered to have run into the danger zone. These limits are controversial, since at present only three EC states, one of them Britain, could meet the first criterion, while Belgium, Ireland and Italy currently have a debt that is 100 per cent or more of their GDP.

But most controversial of all is what Germany calls the golden rule – that a deficit should never exceed capital expenditure. The latter is hard to define, and, even if it was not, developing countries such as Portugal argue they need to spend more to try to catch up mature economies, like that of Germany. The Dutch text simply says that in making its assessments the Commission should take into account whether a country was also breaking the golden rule.



Currency traders: is the writing on the wall as they face up to the prospect of a single currency for the European Community?

EMU at a glance

■ Let-out for Britain and any state whose parliament "does not feel able to approve the irrevocable fixing of its currency."

■ Strict economic criteria for the final stage of EMU. Countries unable to meet these would get a "derogation" which would be reviewed every two years.

■ Minimum of seven countries needed to form EMU.

■ European Central Bank run by six-person directorate, plus governors of the 12 national central banks who would be independent of their governments.

■ The composition of the existing basket ECU would be frozen, until such time as the ECU became a single currency in its own right.

■ Limits to prevent countries running excessive budget deficits once they were inside EMU.

■ Sanctions on countries continuing to run excessive deficits. These would include refusal to endorse their borrowing prospectuses, cutting them off from EC loans, and fines.

UK should not opt out, says Heath

By Ralph Atkins

BRITAIN should not exercise any right to opt out of EC plans for a single currency, despite opposition to monetary union of many right-wing Tory MPs, Mr Edward Heath, the former Conservative prime minister, said last night.

Mr John Major should give "bold leadership" on European monetary, economic and political union, he added, dismissing as irrelevant the protestations of Mrs Margaret Thatcher and Mr Norman Tebbit, former Tory party chairman. Mr Heath's comments on Channel Four television looked set to harden battle lines at Westminster, coming near explicit criticism of Mr Major as failing to take on his party's right wing.

Mr Neil Kinnock, Labour leader, said ministers were conducting policy towards the EC "not on the basis of what is best for Britain but on the basis of what will keep the cracks in the Tory party as obscure as possible."

Mr Heath argued Britain may sign up to a deal with an opt-ont clause at the Maastricht summit in December but the government should make plain it did not intend to use it. "We can't be at the centre if we opt out of these vital activities" of the EC, Mr Heath declared, ahead of a dinner in London last night to mark the 20th anniversary of the Commons vote under his premiership, for Britain to join the EC.

Maastricht was a chance for Mr Major to show he was standing by his pledge that Britain would take a constructive role in Europe, Mr Heath went on. He rejected suggestions a deal could be postponed until next year. Earlier, Downing Street said the UK was not deliberately seeking a second summit in Lisbon in 1992, under Portugal'e EC presidency; the Dutch, the current holders, hoped to reach complete agreement in December.

Mr Heath'a comments come as Mr Major prepares to confront critics in his own party in e Commons debate in the run-up to the Maastricht summit. The PM'e job was to "give leadership on big issues like this. . . As far as the right wing are concerned, they have always objected, they will always be there, and as far as Europe is concerned, we haven't taken any notice of them," Mr Heath said.

MAIN INDICATORS OF NOMINAL CONVERGENCE PROBLEMS IN THE COMMUNITY IN 1991

	INFLATION		PUBLIC FINANCES			EXTERNAL ACCOUNTS	
	Deflator of private consumption	Nominal unit labour costs	Gen govt net borr requirements (% of GDP)	Public debt as % of GDP 1991	change from 1990	Current account balance (% of GDP)	National Savings (% of GDP)
Belgium	3.2	3.4	6.5	128.1	0.6	1.1	20.8
Denmark	2.4	1.4	1.3	62.3	-0.1	1.6	19.0
Germany	3.5	5.4	4.8	45.4	2.4	-0.1	23.4
Greece	18.0	14.2	15.3	86.0	-0.3	-5.0	13.6
Spain	5.9	5.7	2.7	44.5	0.3	-2.9	23.0
France	3.1	3.3	1.6	37.3	0.9	-0.9	20.1
Ireland	3.0	4.9	3.6	97.4	-2.4	2.2	21.7
Italy	6.3	8.9	10.1	103.3	2.6	-1.3	19.5
Luxembourg	3.5	2.8	-1.6	4.7	-1.8	26.4	57.4
Netherlands	2.8	3.4	4.6	76.6	0.3	4.0	24.9
Portugal	11.5	14.6	5.5	63.6	-3.5	-1.2	27.1
UK	6.5	8.2	2.2	44.5	1.3	-1.1	14.6
EC	5.0	5.8	4.5	60.0	1.4	-0.6	20.3

Source: 1991 forecasts of the Commission services

Treaty seeks sustainable, non-inflationary growth

THESE are highlights of the draft Emu treaty:

Article 2: The Community shall have as its task, by establishing a common market and economic and monetary union. . . to promote throughout the Community a harmonious and balanced development of economic activities, sustainable and non-inflationary growth respecting the environment, a high degree of convergence of economic performance, a high level of employment, the raising of the standard and quality of living, and economic and social cohesion and solidarity between member states.

Article 3A: . . . these activities shall include the irrevocable fixing of exchange rates between the currencies of the member states leading to the introduction of a single currency, the Ecu, the definition and conduct of a single monetary and exchange rate policy the primary objective of which shall be to maintain price stability and, without prejudice to this objective, to support the general economic policy in the Community, in a manner compatible with free and competitive market principles.

Article 104B: Member states shall avoid *excessive government deficits*. . .

Where the existence of an excessive deficit is established. . . the Council shall make recommendations to the member state concerned with a view to bringing that situation to an end within a given period. . . In cases where a member state persists in failing to put into practice the recommendations, the Council may decide to give notice to the member state concerned to take, within a certain time limit, measures for the deficit reduction which is judged necessary by the Council in order to remedy the situation. . .

Where it establishes a failure to comply with a decision it has taken. . . the Council may decide to apply one or more of these measures:

● To declare the provisions of directive 89/298/EC applicable to securities issued by the member state concerned and its regional and local authorities. The decision shall lay down detailed rules for its application;

● To issue a recommendation to the EIB to declare the member state concerned ineligible for further EIB borrowing;

● To require that the member state concerned make a non-interest-bearing deposit of an appropriate size with the Community until the excessive deficit has, in the view of the Council, been corrected;

● To impose fines of an appropriate size;

● To suspend new commitments by the Structural Funds in the member state until the excessive deficit has, in the view of the Council, been corrected.

Article 105: The primary objective of the European System of Central Banks (in this treaty called "ESCB") shall be to *maintain price stability*. . .

The basic tasks to be carried out through the ESCB shall be:

● To define and implement the monetary policy of the Community;

● To conduct foreign exchange operations consistent with the provisions of Article 109;

● To hold and manage the official foreign reserves of the member states;

● To promote the smooth operation of payment systems;

● To contribute to a smooth conduct of policies relating to the prudential supervision of credit institutions and the stability of the financial system.

Article 105A: The ECB (European Central Bank) shall have the exclusive right to authorise the issue of notes within the member states. The ECB and the national central banks may issue notes. The notes issued by the ECB and the national central banks shall be the only notes to have legal tender status within the member states.

Article 109: The Council may, acting (by a qualified majority on a proposal)/(on a recommendation which the Council shall adopt or amend by qualified majority) from the Commission or from the ECB and after consulting the ECB in an endeavour to reach a consensus consistent with the objective of price stability, determine an exchange rate agreement for the Ecu vis-a-vis other currencies, including, in particular, the adoption, adjustment and abandoning of central rates.

Article 109E: From the start of the second stage, the currency composition of the Ecu basket shall be irrevocably fixed according to the decision-making procedures as laid down within the framework of the European Monetary System.

Article 109G: The Council *shall not oblige a member state* to participate in the third stage if a member state has notified to the Council that the national parliament of the member state does not feel able to approve of the irrevocable fixing of its currency at the provisional date. Such a member state shall be exempted from the decision as mentioned above, and will in this treaty be called "member state with an exemption". . .

Specifying criteria for convergence

ATTACHED to the draft treaty is a protocol laying down criteria for economic convergence that will guide the European Council's decision over whether EC member states are ready to embark on *Emu's third and final stage*.

Article 1 says a state will meet the convergence criteria on price stability if it "shall have a price performance that is sustainable and a rate of inflation, observed over a period of one year before the examination, that does not exceed that of the, at most, three best performing Member States in terms of price stability by more than 1½ percentage points. Inflation shall be measured by means of the consumer price index (CPI) on a comparable basis."

Article 2 says the government budgetary criterion shall not be met if there is a Council decision "that an excessive deficit exists for the Member State concerned".

Article 3 covers a country's record in the European Monetary System and says "a Member State shall have respected the normal fluctuation margins provided for by the Exchange Rate Mechanism of the European Monetary System without severe tensions for at least the two *years before its examination*. In particular it shall not have devalued its currency's bilateral central rate against any other Member State's currency on its own proposal for the same period."

Article 4 sets convergence in terms of interest rates by specifying that "in the last year before the examination a Member State shall have a nominal long-term interest rate that does not exceed that of the, at most, three best performing Member States in terms of price stability by more than 2 percentage points. Interest rates shall be measured on the basis of long term government bonds or comparable securities."

Budget deficits to stay within limits

THE draft treaty is accompanied by a protocol setting down rules to prevent governments running excessive budget deficits.

The main elements are as follows:

Article 1 *establishes* that deficits should not exceed: "Three per cent for the ratio of the planned or actual government deficit to gross domestic product" and "60 per cent for the ratio of government debt to gross domestic product".

Article 2 specifies that: "Government means General Government, that is Central Government, regional or local government and social security funds, to the exclusion of commercial operations. Deficit means the net balance to be financed, on a cash basis. Investment means gross fixed capital formation".

Article 3 stipulates that: "In order to ensure the effectiveness of the excessive-deficit procedure the governments of the Member States shall be responsible under this procedure for the deficits of General Government referred to in Article 2 of this protocol.

"The Member states shall ensure that national procedures in the budgetary area enable them to meet their obligations in this area deriving from the Treaty.

"The Member States shall report their planned and actual deficits and the levels of their debt promptly and regularly to the Commission.

Article 4 says: "Revenues from non-interest bearing deposits and fines imposed. . . [for running an excessive deficit] shall be treated as ordinary revenue of the European Economic Community and shall be inscribed in the general budget of the Communities."

Article 5 adds: "The statistical data to be used for the application of this protocol shall be provided by the Commission."

Full accord evades central bank governors on monetary institute

By Peter Norman, Economics Correspondent

Left, Erik Hoffmeyer: reported a split on verions issues

EUROPEAN central bank governors yesterday failed to reach full agreement on draft statutes for the proposed European Monetary Institute and left unresolved certain details of the planned European System of Central Banks.

European monetary officials said a special meeting in Basle uncovered divisions among the 12 central bankers over how far EC governments should inflnence top level appointments to the EMI, which is intended to co-ordinate monetary policy among the 12 member states in the run-up to economic and monetary union (Emu).

In the case of the European central bank system, which is due to be put in place to manege the eingle currency and unified mooetary policy envisaged for the third and final stage of Emu, the 12 were unahle to agree on how far member states which decide against fully joining the monetary union should participate in the bank's activities.

The central bank governors met in the Basle headquarters of the Bank for International Settlements until early afternoon under the chairmanship of Mr Erik Hoffmeyer, the Danish central bank governor who last month was elected as head of the EC central bank governors' committee.

After they failed to agree, their deputies continued talks but without achieving a breakthrough.

The divisions over the EMI could be difficult to resolve. Mr Hoffmeyer reported disagreement on who would hold the presidency of the EMI, the amount of capital to be paid in by national central banks and on the voting system.

The question of where the EMI would be based was left open.

These differences were thought to reflect an earlier rift that had opened up among the central banks.

Some, led hy the German Bundesbank, wanted the EMI to be little more than an extension of the existing bank governors' committee. Others, notably the Bank of France and the Italian central bank, have been inclined to see the EMI as an embryonic European central bank. There have also been suggestions that the EMI president should be drawn from outside the circle of EC central bank governors, raising worries about government influence over the institute.

The EMI is due to be an interim body that would give way to the European system of central banks (ESCB), with a European central bank (ECB) at its centre, in stage three of Emu. Most of the draft statutes for the ESCB and the ECB were completed in November last year. But the outstanding probleme surrounding the rights of EC member states that choose not to join fully in monetary union are of great relevance to Britain.

The central bankers are trying to pin down who will be able to take part in the decision-making meetings of the European central bank and with what rights, even though negotiations to date suggest that such a body will not be set up before 1997 at the earliest.

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EUROPEAN NEWS

EC delivers ultimatum to Serbians

By Andrew Hill in Brussels

THE European Community yesterday gave Serbia a week to accept EC proposals for peace in Yugoslavia or face trade sanctions.

Foreign ministers set a deadline of November 5 – the next full session of the Yugoslav peace conference – for all six repnblics to agree to EC proposals. They also moved a step closer to recognising the independence of the other Yugoslav republics by threatening to isolate Serbia.

Mr Hans Van den Broek, foreign minister of the Netharlands, which holds the EC presidency, said that if sanctions were imposed, any subsequent political solotion to the crisis would be reached "in the perspective of a recognition of those republics [which co-operated with the EC plans]".

He said: "We want to continue [to oegotiate] with the six republics, but if parties are not prepared to make their positions clear on November 5, the parties which are non-co-operative will be confronted with restrictive measures by the Community."

Mr Abel Matutes, EC commissioner responsible for Yugoslavia, said such measures would consist of immediate suspensioo of preferential trade agreements between the EC and the whole federation. Trade would theo be reopened with the republics which agreed to the EC plan.

Next week could tharefore mark the crucial turning point in the EC approach to the Yugoslav crisis:

- At oext Monday's foreign ministers' meeting, , the Commission will present formal proposals for restrictive measures which could be imposed on unco-operative repuhlics.
- On Tuesday, the Yugoslav repuhlics will have to state clearly whether they can accept EC proposals – in particular the fundamental conditions protecting buman rights and minorities, and rejecting unilateral changes of borders.
- A political decisioo to impose sanctions could be taken wheo foreign ministers meet at the end of the week during the Nato summit in Rome.

Mr Van den Broek said the EC would also call oo the United Nations security council to impose restrictive measures.

The Commission had doubts about whather trada preferences could be witbdrawo without giving six months' notice to Yugoslavia. But according to Mr Matutes, Commission legal experts have now decided that such agreements can be suspended immediately, on the grounds that trade is being disrupted hy the crisis.

Hans-Jochen Vogel: action clears way for younger person ahead of 1994 elections

Vogel quits as SPD's parliamentary leader

By Quentin Peel in Bonn

THE formar leader of Germany's opposition Social Democrats (SPD), Mr Hans-Jochan Vogel, yesterday announced his surprise decision to quit as the party's parliameotary leader, just nine months after handing over the overall party chairmanship to Mr Björn Engholm.

His actioo clears the way for the SPD to fill a key post with someone younger well before the next parliamentary elections due in 1994.

It also means that Mr Engholm can have a say on who will take over in what is effectively the alternativa party leadership.

However, the move has undoubtedly taken many rank-and-file members of the SPD by surprise, coming at a moment when there is no clear heir-apparent. The lack of a clear national parliamentary leader as candidate for chancellor is seen as a significant alectoral weakness of the party, which was defeated decisively last December by Chancellor Helmut Kohl's Cbristian Democratic Union (CDU) in the first post-unification poll.

The 65-year-old Mr Vogel became party chairman in 1987 in place of Mr Willy Brandt at a time when the party's fortunes were at an all-time low. Since tben, he has failed to make serious inroads on Mr Kohl's position, although the chancellor was only returned to power thanks to his hrilliant exploitation of German reunification.

Mr Vogel made his announcemeot at a meeting of the parliamentary group leadership, hy all accounts looking both relieved and relaxed, and 4kg lighter, after a two-week slimming cure in Bavaria. He said his retirement was making way for the younger generation in the Bundestag, as well as in the party leadership.

At least two leading women parliamentarians are strong contenders for the succession. Tha most obvious is Ms Herta Däubler-Gmelin, a spokeswoman on justice and internal affairs, and who has frequently stood in for Mr Vogel in the recent past. She comes from Baden-Württemherg in the south-west, and is seen as his personal favourite.

The secood is Ms Ingrid Matthäus-Maier, deputy leader of the group and finance spokeswoman. She has support in the key North Rhine-Westfalian faction, hut has the disadvantage of having origioally belonged to the Free Democrats.

Tbe successioo will be decided in December by a five-person committee in the parliameotary group, including Mr Vogel.

WEU looks for its place in Europe's line of defence

By Quentin Peel in Bonn and Ronald van de Krol in Tha Hague

FOREIGN AND defence ministers of the Western Europeao Unioo meet in Booo today for a crucial brain-storming meeting oo the future of the organisation as a reinforced European pillar of Nato.

At the heart of the debate are the alternative Franco-Germao and Anglo-Italian views oo bow tbe organisatioo should develop: either as a defeoce arm of European political unioo, under the Community umbrella, or as a hridge between the European Community and Nato.

At the same time, the ministers are being asked to consider thair futura relations with the eastern European former members of the Warsaw Pact, and to weigh up the possible intervention of the WEU in support of tbe EC observers in Yugoslavia.

Clear cooclosions are oot expected from tbe extraordinoary meetiog, called in advance of the normal November 18 ministerial gathering, in order to prepare for next week's Nato summit in Rome. However, the debate is seen as a vital component in the entire rethink of western European defeoce strategy botb within Nato, and in relatioo to the negotiations within the EC on political union.

In spite of the apparent differeoces between tha Franco-German defence proposals (also backed by Spain) to bring WEU virtually under the EC umbrella, and the British, Italian and indeed Dutch positioo that nothing should be done to undermine Nato, diplomats oo both sides suggest that compromise is possible.

Tbus, tbere is widespread agreement on the need to move WEU beadquarters to Brussels, and use it as part of a "Europeao defeoce ideotity". The only question is to wbat extent it is simply a part of Nato.

German officials present the Franco-Germao plan, wbicb was almost entirely drafted in Bonn, as a means of binding France more closely into Nato military structures. They say that in all questions of Nato defence, the proposed European corps, including Freoch troops, would come under Nato command.

However, in London and the Hague, it is seen as a way of setting op an alternative force in which German Nato forces would be "double-hatting", expected to be acting simultaneously within and outside the alliance. They point to tbe inherent conflict in baviog German troops under Nato command, and French troops outside Nato command, serving alongside each other.

The disagreements over an actual military force drawn from tbe nine WEU states make any prospect of deal oo that question unlikely before the EC summit at Maastricht in December. Efforts at a compromise will therefore concentrate oo the political structures.

The question of special relations between tbe WEU and eastern European states has been put on the agenda by Mr Hans-Dietricb Genscher, German foreign minister and curreot chairman of the WEU ministerial council. He is very keen to have a joint position in time for the Nato summit in Rome.

As for interventioo in Yugoslavia, the ministers will bear a report from tbelr experts asked to recommeod bow the WEU might support tbe EC. However, they are not expected to take any decisions until the situation in the Yugoslav peace negotiations is clearer.

Sweden eases foreign ownership restrictions

By Robert Taylor in Stockholm

THE SWEDISH government is to abolish legal restrictions making it difficult for foreigners to invest and acquire industrial companies in Sweden.

The long-awaited change, to take effect from next January I, is designed to encourage investment into Sweden which has remained low over the past decade at a time when Swedish outward investment has risen sixfold. It reflects the new centre-right government's determination to pursue more free market policies and adjust industrial structure to international realities before the arrival of the 19-nation European Economic area in 1993 witb its commitment to the free movement of capital.

At present special permission is required for a foreign company to hold more than 40 per cent of the equity and 20 per cent of the voting rights in a Swedisb-owned coocern.

In future, no permission will he necessary. However, any Swedisb company will still be able to have its own articles of association a restriction on ownership preveoting a foreigner acquiring more than 40 per cent of the equity and 20 per cent of the voting rights.

Mr Per Westerberg, tbe lodustry minister, said that Swedeo was leading the way in removing restrictions on foreign ownership among the Nordic countries but this reflected the new government's wish to see an increase of inward investment into Sweden. There will be only one exception in future.

Restrictions were lifted on foreign ownership of banks and other credit institutions in July 1990 hut they remain in force on the foreign acquisition of agricultural land. Nor will it be possihle for foreigners to enjoy unrestricted freedom to acquire properties.

The proposed change in the laws concering industrial companies was welcomed last night by Swedish industry. Sweden's own industrial revolution was financed hy snbstantial inward iovestment from Germany, Britain and France. In recent years Swedish companies have launcbed aggressive acquisition and merger offeosives inside tbe European Community.

New finance minister for Portugual

By Peter Wise in Lisbon

PORTUGUESE Prime Minister Anibal Cavaco Silva has appointed Mr Jorge Braga de Macedo, an academic economist currently serving with the European Commission in Brussels, as finance minister in a new government.

The new cabinet, named following the October 6 re-election of the centre-right Social Democratic Party, will he sworn in on Thursday.

Mr Braga de Macedo, 44, one of only three new ministers, is considered an orthodox supporter of the prime minister's free-market, monetarist approach to ecooomic policy. He replaces Mr Miguel Beleza, who insisted oo a commitment to tight restrictions on budget spending.

Mr Braga de Macedo graduated in economics and philosophy at Yale University.

EUROPEAN NEWS

Republics give pledge on Soviet debt

By Leyla Boulton in Moscow

TWELVE Soviet rspuhlics, under strong pressure from Group of Seven representatives, yesterday agreed a commitment to share responsibility for the Soviet Union's existing foreign debt.

The negotiations in Moscow on a communiqué saying that republics "jointly and severally" take responsibility for the Soviet Union's foreign obligations, estimated at about $60bn (£35bn), were held against a backdrop of grim warnings that Vnesheconombank, responsible for servicing the foreign debt, was within days of ceasing repayments unless it received outside assistance.

The promise of western financial assistance to ward off a liquidity crisis was, however, being seen as conditional on the republics' agreement to honour the Soviat Union's existing commitment and acknowledging responsibility for debts incurred by the former Soviet Union. The G7 officials made clear to the prime, finance and economics ministers from the republics that they would not he permitted to divide tha Soviet debt and service it independently.

Although western officials are sceptical about the republic's ability to put together an effective mechanism for collecting hard currency for debt repayment, yesterday's communiqué was seen as an essential signal to reassure foreign financial circles and enable the granting of fresh credits by both governments and commercial banks.

Yesterday's intense negotiations were the first direct interventions by the rich industrial nations into the internal wranglings of the Soviet republics – designed to save them from ruining their own creditworthiness.

The communiqué also stipulates that Vnesheconombank, even if in a renewed form, should be sole manager of Soviet debt. But at the request of the republics it also lays down that they should oversee the bank's work.

Baltic states to tackle UK about their gold

By Sara Webb in London

THE newly-independent Baltic states of Estonia, Latvia and Lithuania are planning to demand compensation for the Baltic gold deposited with the Bank of England before the 1940 Soviet occupation and which the British government subsequently sold for £5.8m.

Representatives of the three Baltic states are coming to London early next month to hold separate bilateral talks with the Foreign Office, Treasury, and possibly the Bank of England. The gold issue is sensitive as the Estonians, Latvians and Lithuanians are annoyed the gold they deposited with the Bank for safekeeping was sold as part of a 1968 UK-Soviet agreement.

Some 460,220 oz was deposited with the Bank by the Baltic central banks before 1940. Baltic representatives claim the current market value is about £115m.

Following the 1968 UK-Soviet agreement, the British sold the Baltic gold to repay some of the Baltic states' debts.

● The Soviet republic of Kazakhstan, in central Asia, said yesterday it intended to build up its gold reserves under its policies of economic independence, writes David Marsh, European Editor.

Although Kazakhstan mines much less gold than neighbouring Uzbekistan it is thought to account for roughly 6 per cent of Soviet production.

Mr Nursultan Nazarbayev, the republic's president, made the announcement on the first day of a five-day visit to Britain, seeking to expand economic and political ties.

Mazowiecki narrowly ahead in Polish vote

By Anthony Robinson and Christopher Bobinski in Warsaw

POLAND'S Democratic Union party, led by former prime minister Tadeusz Mazowiecki, was yesterday emerging with the biggest ahare of the vote in the country's first free parliamentary elections since the Thirties.

With 75 per cent of the country's polling stations reporting results yesterday evening, it had gained 12 per cent. The former Communist Democratic Left Alliance was running second with 11.59 per cent, while the Polish Peasants' Party (PSL) once allied with the Communists, was running third with 9.3 per cent.

President Lech Walesa must today start the task of forming a new government after an election which has created a fractured, multi-party parliament of more than 10 parties. He may try to build a non-party government as an interim measure and call new elections next year in the hope of securing a clearer result.

Parties backed by the Roman Catholic Church, such as Catholic Electoral Action and the Centre Alliance, had won 9 per cent and 8.5 per cent respectively, while the Confederation for Independent Poland, which attracts anti-Communists disillusioned with Solidarity polled 7.5 per cent.

The Liberal Democratic Congress party of Mr Jan Krzysztof Bielecki, the outgoing premier, had gained 7.1 per cent, while the Solidarity trade union and the Solidarity farmers' movement won a modest 5.9 and 4.9 per cent respectively.

Final results of the election to the 100 seats in the Senate and the 460 seats in the Sejm, the more important lower chamber, are expected today.

Mr Mazowiecki has said he wants the next government built on a "historic" coalition of all the parties with their roots in the former anti-Communist Solidarity movement.

However, such an attempt may prove impossibla given the wide differences between right-wing Catholic groups and free market liberal democrats or the social democrats in the Solidarity labour faction.

Election commission officials open a ballot box in a Warsaw voting station. A large proportion of the electorate stayed at home

Patience runs out among disillusioned electorate

Anthony Robinson and Christopher Bobinski in Warsaw assess the result of Sunday's general election

NO COMMUNIST government could have got away with a fraction of the sacrifices demanded of the Polish people by the two post-Communist governments which have run Poland for the past 30 months.

A nation which for decades regularly took to the streets in protest at attempts by Communist governments to raise the price of meat, appeared to accept with an uncharacteristic fatalism high inflation, rising unemployment and a fast widening gap between the rising living standards of the new rich and the new poor.

But, on Sunday, 60 per cent of the electorate signalled that it had had enough of squabbling politicians and falling living standards by boycotting the freest parliamentary elections in 50 years.

As a result Poland finds itself divided politically between a multiplicity of small parties with little prospect of forming a stable parliamentary coalition able to sustain a government with an agreed programme.

President Lech Walesa now faces a hard time finding a prime minister able to put together a government, while the political parties, especially those formed out of the once united Solidarity alliance, will have to look again at the chances of papering over deep personal and ideological feuds.

Even the largest party, the Democratic Union consisting of former Solidarity activists led hy Mr Tadeusz Mazowiecki, only won around 12 per cent of the votes counted by yesterday afternoon. This was a mere 100,000 votes more than the reform Communists who become the second largest party in the new parliament. Their success, ironically, is due largely to President Walesa who goaded many former Communists and their families into action by threatening to discriminate against them in a televised eve of election broadcast.

While former Communists voted en masse to protect their backs, disgruntled protest voters either stayed at home or opted for parties such as the right-wing Confederation for an Independent Poland (KPN). The confederation, led by Mr Leszek Moczulski, *became one of the top five parties* by promising a witch hunt of former Communists and defence of the national interest against foreigners of all stripes. As such, it gained the support of those who both hate Communists and think the two post-Communist governments sold out Poland to foreign capital.

The Roman Catholic Church managed to direct some of its flock in the direction of Catholic parties such as Catholic Action and the Centre Alliance headed by the Kaczynski twins, Lgch and Jaroslav, two of Mr Walesa's forme close advisers. But the fact that the vast majority of Poles defied all advice and stayed at bome sbows how much the influence of the church, of President Walesa and politicians in general, has waned in recent months.

The nub of the problem lies in the unexpected difficulty of transforming political democracy into economic prosperity. Having inherited hyper-inflation from Mr Mieczyslaw Rakowski's outgoing Communist regime, Mr Leszek Balcerowicz, finance minister in the first Solidarity government, had to introduce a harsh *macro-stabilisation policy*.

Poland finds itself divided politically into a multiplicity of small parties with little prospect of forming a stable parliamentary coalition able to sustain a government with an agreed programme

This quickly restored value to the zloty by cutting subsidies and liberalising prices and imports. These measures, which reduced inflation and stabilised the newly convertible zloty, were accompanied by a longer range policy of privatisation and economic and financial restructuring.

Thanks to these policies Poland regained the confidence of the international financial community – but at a high cost in the living standards of farmers and most employees in the still dominant state sector of industry. It is in the grim industrial towns like Lodz or Katowice where the sacrifices demanded seem least likely to bear eventual fruit that the disillusion recorded in these elections is deepest.

Partly because no-one was able to come up with a credible alternative plan, Mr Balcerowicz was retained as finance minister by the second democratic government headed by Mr Jan Krzysztof Bielecki.

The latter, a free marketeer whose Liberal Democratic Congress did moderately well at the polls, remains a possible candidate for the new premiership. But the future of Mr Balcerowicz, who portrays himself as a technocrat *above party considerations*, is more tenuous after the election results. Opinion polls show that Mr Balcerowicz is widely respected for his competence and integrity even though his policies are unpopular.

Mr Walesa, not an economist, will be under intense pressure to relax monetary and financial policy and to *ease the plight of farmers and the* industrial cities by reintroducing tariff and other protection against cheap European Community and other imports. But he will find it difficult to persuade Mr Balcerowicz.

The last time Mr Balcerowicz partially bowed to reflationist arguments in July 1990 the result was increased inflation and a surge in imports which obliged him to tighten the screws again a few months later. If Mr Walesa insists on easier policies, he will probably have to find both a new prime minister and a new finance minister.

Even so, any new government will soon find itself up against the harsh realities of life during transition to a market economy. Before the elections, the IMF suspended disbursements on its three-year $1.7bn extended loan facility because of the government's failure to comply with agreed financial targets.

Slow progress on privatisation and a steep fall in the profitability of state-owned industry, for example, pushed the budget into an unplanned deficit of $1.5bn this summer.

Compliance with the terms of IMF agreements, however, is also crucial to the implementation of this year's Paris Club agreement on a stage-by-stage write-off of 50 per cent of Poland's $33bn official debt. The elections also halted progress towards similar negotiations with the commercial banks for a reduction in Poland's $11bn private sector debt.

Effective debt reduction and IMF/World Bank support for Poland in turn is widely seen as one of the keys to attracting foreign equity investment into Poland's privatised state companies and in new green-field projects able to create exports and jobs.

Until now, Poland's political stability, its dogged acceptance of tough financial policies and the long term prospects of a prosperous market of nearly 40m people have attracted investors' interest. Keeping it that way looks like becoming a lot harder in coming months.

AMERICAN NEWS

Authorities intervene to brake currency's climb

Canadian banks lower rates as dollar surges

By Bernard Simon in Toronto

CANADIAN banks have begun lowering their lending rates for the third time this month, in response to easing monetary policy and a continuing surge in the Canadian dollar.

The Bank of Montreal is bringing down its prime lending rate today from 8.75 per cent to 8.5 per cent, and other banks are expected to follow soon.

The Bank of Canada intervened again in foreign exchange markets yesterday to brake the rise of the Canadian dollar. By the close the currency was trading at 88.9 US cents, its highest level in more than 13 years.

The dollar has been spurred by huge inflows of foreign capital, encouraged by the Canadian premium over US interest rates and expectations of falling inflation.

According to Statistics Canada, foreigners invested a record C$4.7bn (£2.43bn) in Canadian securities in August, beating the previous record by more than C$1bn. The Bank of Canada has loosened monetary policy in recent weeks amid optimism that it will meet its target of bringing the annualised rise in the consumer price index below 3 per cent by the end of 1992.

The bank, which has made the fight against inflation its highest priority for the past four years, is aiming for an inflation rate of 2 per cent by the end of 1995. The prime rate stood at 14.75 per cent in mid-1990, while the spread between US and Canadian short-term interest rates has narrowed to less than 3 percentage points, half the gap in early 1990.

Most economists have recently lowered both their inflation and interest rate forecasts.

Mr Mark Chandler, international economist at Royal Bank of Canada, said yesterday he expected the prime rate to drop to 7.75 per cent by the end of the year, and by another 50-75 basis points in 1992.

Colombian president César Gaviria casts his vote on Sunday in the first elections under a new constitution

Colombians end political monopoly

By Sarita Kendall in Bogotá

THE former guerrilla organisation M-19 and an array of smaller groups have eroded the two-party monopoly of Colombian politics, according to partial results of Sunday's congressional elections. However, the governing Liberals look set to retain a majority in the Senate and House of Representatives.

Conservative groups captured second place, followed by M-19. Both the Conservatives and Liberals ran a multitude of candidates and coalitions against M-19's single slate.

The unusually high abstention rate – nearly 70 per cent – was expected, partly because this was the country's fourth election in 20 months and partly because of the lack of concrete proposals and programmes by candidates.

Voter confusion over the pletbora of candidates also contributed to a high percentage of spoiled ballots.

While the traditional parties will probably retain about 80 per cent of congressional seats, many of the old figures associated with electoral malpractice and parliamentary corruption have not been returned.

M-19's tally of between 10 to 12 per cent of the vote, although respectable, does not give the group as high a percentage of seats as it held in the Constitutional Assembly, the elected body which revised the constitution. However, its vote consolidates the party as *an important third force*.

The result is satisfactory for President César Gaviria, who pushed through the constitutional reform process which abolished Congress and led to the new elections. The president not only continues with a Liberal parliamentary majority but can show his policies for renewal and broader democratic participation are producing results.

Cabinet changes are expected soon and the government will present a mass of legislation to Congress, much of it *designed to clarify and implement* the new constitution.

However, talks in Caracas with guerrillas have made little progress; there were two *ambushes as the polls closed* on Sunday and neither the ELN nor the FARC guerrilla groups appear committed to negotiating a genuine ceasefire and disarmament.

M-19's successful conversion to democratic politics and the example of Ms Vera Grabe, a senator-elect who fought in M-19's takeover of the Palace of Justice in 1985 in which more than 100 people died, could provide an incentive.

For the first time indigenous groups will be represented in parliament, with three senators. Two of these seats are allotted under the new constitution, but the Indian vote was large enough to gain a third.

Greenspan admits US recovery sluggish

By Michael Prowse in Washington

THE US economy has turned "demonstrably sluggish," Mr Alan Greenspan, the Federal Reserve chairman, said yesterday.

The economy was still moving forward bnt faced "50 miles an hour headwinds," he told a business conference in Rhode Island. The negative tone of his lunchtime remarks appeared to revive Wall Street hopes that the Fed might soon nudge interest rates lower and reversed an earlier decline in bond prices.

Mr Greenspan was speaking on the eve of the release of *economic figures*, which are expected to show that gross national product grew at an annual rate of 2.5 to 3 per cent in the third quarter of this year.

This would be the first quarter of growth since the recession began last autumn.

Analysts, however, expect a slowdown in inventory liquidation hy companies to account for much of the GNP gain. Many are forecasting a renewed slowdown in growth in the fourth quarter.

President George Bush said yesterday he would *fight* "tooth and nail" for faster economic growth. But ha appeared to rule out tax cuts that would raise public borrowing.

He vowed to fight legislation which would break last year's bipartisan hudget agreement with Congress or "further burden the young people of this country".

Mr Greenspan said an "utterly unprecedented" credit crunch was preventing the economy bouncing back from recession with its normal vigour. Banks were avoiding making loans because of greater-than-normal fears of losses.

He pointed to signs that the rate of increase in banks' non-performing loans was slowing down. But ha did not see imminent signs that the credit crunch had dissolved.

Analysts are anxiously awaiting employment figures due out on Friday, which will provide the first comprehensive guide to economic trends in October.

Mulroney formally quits race for UN

By Michael Littlejohns in New York and Bernard Simon

MR Brian Mulroney, the Canadian prime minister, yesterday formally withdrew his name from consideration for the post of UN secretary-general.

Mr Yves Fortier, Canada's UN ambassador, informed the president of the Security Council, Mr Chinmaya Gharekhan of India, of the premier's move.

He told reporters afterwards it was an irrevocable decision. *Responding to suggestions* that Mr Mulroney, who had support from the US and Britain, might still be drafted to succeed Mr Javier Pérez de Cuéllar, whose term expires at the end of the year, Mr Fortier said the prime minister would be unwilling to serve.

In a straw poll of the council last Friday, Mr Mulroney received five votes, fewer than Mr Boutros Ghali, deputy prime minister of Egypt, and Mr Bernard Chidzero, Zimbabwe's finance minister, each of whom polled nine votes.

Mr Fortier said that, since the prime minister's name was first floated a week ago, pressure on him to run had "continued unabated". But he had concluded his responsibilities lay at home.

Despite his deep unpopularity in Canada, Mr Mulroney had come under growing pressure from supporters to withdraw as a candidate for the UN job and focus his energies on the country's constitutional problems.

Some senior members of his Progressive Conservative party, especially from Quebec, have felt that no other figure in the federal government has sufficient credibility to fight the separatist forces in the francophone province.

Mr Mulroney is a bilingual Quebecois and his popularity has always remained higher there than in the rest of the country. In addition, his candidacy for the secretary-general's post and subsequent withdrawal are likely to be more helpful in regaining respect in English-speaking Canada than the prospect of being knocked out of contention by another candidate.

By withdrawing Mr Mulroney has also sent a clear message that he still believes the Tories, despite their recent problems, can win the next general election, which is likely to be held in early 1993.

Argentine voters back 'Menemism'

By John Barham in Buenos Aires

ARGENTINA'S ruling Peronist party should hold three of the six provincial governorships at stake in the third leg of the country's four-stage local and congressional mid-term elections, according to provisional returns. Right-wing parties are likely to capture the other gubernatorial seats contested in Sunday's poll.

However, even in the northern provinces of Corrientes, Chaco and Salta, where local conservative parties defeated the Peronists, the electorate still supports the free-market economic reforms of President Carlos Menem's centre-right government. Mr Menem said "even where the Peronists lost, Menemism has triumphed".

The Peronists now control 14 of Argentina's 23 provinces, with the Radicals, the main opposition party, holding three and independent parties carrying four provinces. Mr Menem said the Peronist alliance with centre-right parties had further strengthened their majority in Congress.

The elections will end in December with gubernatorial races in two provinces.

IMF-World Bank's culture of secrecy attacked

THE cultnre of secracy at the International Monetary Fund and World Bank was attacked yesterday by Prof Stanley Fischer, a leading international economist at the Massachusetts Institute of Technology and a former chief economist at the World Bank, writes Michael Prowse.

Publication of the fund's annual economic reports on member countries "would improve the quality of policy discussion within countries, and ultimately the quality of economic policy," Prof Fischer said in an address to the Bretton Woods Committee, an independent Washington-based think-tank. Governments with strong economies that "value informed public discussion" ought to agree on publication of fund reports. "If a few countries set an example, others will eventually follow."

Prof Fischer acknowledged that publication might impair the frankness of reports but said the professionalism of the fund'a staff would ensure the "basic message gets across". The fund and bank were "immensely powerful" institutions which operated in developing countries "with few checks or balances". He called for a "careful appraisal" of the IMF's record in daveloping countries, noting there had been few serious evaluations recently.

The fund, unlike the bank, has not published assessments of its record in policy-based lending in the third world.

Given the overlap in fund and bank activities, Prof Fischer pointed to advantages in merging tha institutions, "not least the saving that would *come from* having only one board of directors".

However, a merger would be undesirable "as long as the agencies continne to operate with as much secrecy as they do". As separate agencies, each provided a necessary check on the other.

INTERNATIONAL NEWS

Bonn says its spies tried to send tanks to Mossad

GERMAN intelligence tried to send a dozen Soviet-built tanks to Israel's Mossad secret service without the knowledge of the cabinet, possibly violating arms export laws, a government spokesman acknowledged yesterday, Reuter reports from Hamburg.

Police fonnd the tanks and two containers full of unspecified eqnipment on an Israeli freighter in Hamburg at the weekend. The items had been described on export documents as agricultural equipment.

Hamburg prosecntors said they were investigating the case as a possible violation of Germany's strict weapons export laws.

Mr Norbert Schaefer, deputy government spokesman, confirmed that the equipment was destined for Israel and had come from the German intelligence service, the Bundesnachrichtendienst (BND).

"It is military material of Soviet origin," he told a news conference. "The material came from supplies of the (former East German) National People's Army and was put at the disposal of the BND by the Defence Ministry."

"These individnal pieces were to be transported to Israel by the BND. Israel wanted to test this material technically."

Bonn acquired all the equipment belonging to the East German army when the two Germanys united in October 1990.

Mr Schaefer, who declined to specify what type of tank was involved, said: "It is entirely normal for friendly intelligence services to exchange weapons for the purpose of testing them."

He added: "One does not like to shont snch things from the rooftops, which is also normal in this area of activity. That is why it was declared as agricultural material."

Mr Schaefer said the size of the consignment made it unlikely that Israel intended to use it for military purposes. But a spokesman for the Economics Ministry, which is responsible for monitoring arms exports, said it was too early to draw snch conclnsions.

Mr Schaefer said the head of the BND had ordered an investigation into whether the rules on military exports had been complied with in the case of the tanks.

The wife of Egyptian Embassy Administrative Attaché Abdullah El-Korabi gestures amid colleagues after her husband lost an arm when a bomb exploded in his car in Ankara yesterday. Another attack left a US serviceman dead. The attacks were claimed by an extremist Islamic group to be in protest at tomorrow's Middle East talks in Madrid

Western governments to end evacuations as Mobutu maintains hard line

Last-ditch talks to avoid Zaire chaos

By Julian Ozanne in Kinshasa

TALKS were under way in Kinshasa last night to find a compromise between President Mobutu Sese Seko and Mr Etienne Tshisekedi, the powerful opposition figure Mr Mobutu chose and then dismissed as prime minister of a crisis government.

However, as the last remaining westerners continned to leave the country, fears were growing among Zaireans that the economy, already devastated by hyper-inflation and the destruction of businesses and infrastructure, will not be able to stand the shock of the sudden loss of the vast managerial and technical skills upon which Zaire has depended.

The refusal of Mr Mobutu to grant the democratic aspirations of the Zairean people, one newspaper said, had forced the West to abandon the "Zaire of Mobutu – a country which had everything to become one of the richest in the world". A Belgian official in Kinshasa confirmed yesterday that 100 more Belgian troops were due to arrive yesterday in a neighbouring country to help with the "absolute final assistance our government will give for an evacuation".

Mobutu: seeking a way out

He said there were still 2,500-3,000 of the original 14,000 Belgian citizens in the country and that military evacuation flights from the interior would end by tomorrow. After that there would three Belgian boats available for "a few more days" to help evacuate people from Kinshasa across the river to Brazzaville, capital of Congo. Britain, Canada and the United States stepped up pressure on their estimated 300-400 nationals to leave the country immediately.

"It is likely that no further major evacuation will occur after the French and Belgian military complete efforts now underway," a Foreign Office statement said.

"Zaire has not collapsed because it has had a vast private sector and thousands of foreign entrepreneurs and technicians," said one western diplomat. "In this country it has always been the *patron* (owner/manager) who solves everything. Things will deteriorate very quickly in the coming days." Banks and most big business have remained open but tens of thousands of Zaireans have already been laid off and hundreds of factories and ahops looted and destroyed.

Mr Richard Hamer of Chevron, who said he would leave Kinshasa tommorow, confirmed yesterday that the onshore oil drilling operation of Shell and Petrofina, which was producing 9,000 b/d, at Mwanda had been "completely destroyed" in an orgy of looting led by mutinous soldiers last week.

He also said there were a slim danger of an oil and gas explosion because the wells had not been sealed securely because of insecurity. However, he said that Chevron had $11m-12m dollars of stock of crude oil and refined products at the Mwanda refinery – enough to supply the capital for 1-2 months if the security situation does not deteriorate further.

An official of the state Diamond company, Miba, said yesterday that the most recent shipment of 710,000 carats of diamonds had to be flown from Mbuji-Mayi directly to South Africa because the security situation was "too dangerous" for the stones to be transported through Kinshasa.

He said total annual MIBA production, all of which is sold to the Central Selling Organisation, is expected to be down 1.5m-2m carats on last year's production of 9.556m carats as a result of the disturbances this year and due to shortages of spare parts and the deteriorating state of the machinery.

Electricity and water services are being maintained in the capital, although the water company is believed to be running short of purifying agents, raising fears about a deterioration of health and sanitary standards.

The government has put further pressure on the economic situation by ordering the central bank to print billions of zaires in new 20,000 zaire denomination banknotes to pay the vastly increased salaries of the civil service and military.

Pakistan says foreigners can buy state banks in sell-off

By David Housego in Islamabad

MR Nawaz Sharif, the Pakistani prime minister, yesterday confirmed that foreign institutions would be allowed to acquire the state-owned banks which the government announced last week would be privatised.

In an interview with the Financial Times, the prime minister removed doubts among foreign bankers and businessmen here over whether foreign groups would be allowed to bid for the banks and financial institutions whose sale has been publicised in newspaper advertising. There will be "no restrictions," he affirmed.

The government said it was selling an initial 26 per cent stake and management control in five banks and financial institutions – United Bank, Habib Bank, National Bank, the Industrial Development Bank of Pakistan, and National Development Finance Corporation.

The sale reflects the prime minister's impatience to cut rapidly the size of the public sector. Two banks – the Muslim Commercial Bank and the Allied Bank – have already been privatised, and the government has put on sale more than 100 state-owned industrial units.

Indicative, however, of what critics see as undue haste, the government suffered an embarrassing reversal yesterday when it withdrew the sale of the National Bank. The Bank acts as a treasury arm of the State Bank of Pakistan (the Central Bank) in places where the State Bank has no office.

Mr Sharif denied that the withdrawal would send an adverse signal to investors about the lack of continuity of government policies. He said it showed the government's openness to "good reasoning" and "constructive criticism."

He said that after taking the decision to privatise the remaining banks, he left for the Commonwealth Heads of Government conference in Harare.

"When I came back," he said, "some experts spoke to me on this subject. They felt that there should be one government bank at least which should remain in the public sector." Emphasising that foreign groups would be allowed to participate in the further bank privatisation, the Prime Minister said that Pakistan's new liberalisation policies permitted foreign ownership of up to 100 per cent.

Officials disclosed, however, that foreign groups had not been allowed majority control in the 18 new investment banks that have been licensed in recent years. They also said that in the case of the 10 new commercial banks that have been licensed, foreign bidders have been told that they would not be allowed to repatriate their equity capital. They said the same criterion would apply to the new bank privatisation.

Of the institutions put on sale last week, the Habib Bank is expected to attract the strongest bidding. But all Pakistan's nationalised commercial banks require a substantial capital injection to rebuild balance aheets because of bad debts.

Further privatisation of the financial institutions had not been expected at this stage because of public nervousness over the financial sector in the wake of the BCCI collapse and a recent co-operative bank scandal.

Airline industry heads for $3.5bn-$4bn losses this year

Iata warns of tougher times

By Paul Betts, Aerospace Correspondent

THE airline industry lost $2.7bn (£1.6bn) on its international scheduled services last year and is expected to report even heavier losses of between $3.5bn-$4bn this year because of the combination of the Gulf war slump in air travel and the economic recession in many significant markets.

Mr Gunter Eser, the director general of the International Air Transport Association (Iata), warned in Nairobi yesterday that the industry could not continue sustaining losses of this magnitude.

At the annual meeting of the organisation, which groups together 200 international airlines, he said that mergers and rationalisation were expected to accelerate in the short term as a means of snrvival for hard-pressed airlines. Although a record 262m passengers flew on Iata members' international schednlad services last year, representing a 7.1 per cent increase over the previous year, the figures are expected to fall sharply this year because of the Gulf war and the recession.

The association is forecasting a 1.7 per cent decline in total international passenger numbers this year.

However, an improvement is expected next year with a 9.4 per cent growth rata. Iata expects this to be followed by a 7 per cent growth rate in 1993 and 6.9 per cent in 1994 and 1995. This will give an annual growth rate over the five year period of 1991-95 of 5.6 per cent. The fastest growing region will remain the Far East, with an average 9.7 per cent annual growth rate through 1995.

The European region is expected to show a decline of 7 per cent in passenger boardings this year recovering strongly next year.

But its annual average growth rate will be only 3.9 per cent during the 1991-95 period because of this year's poor results, according to Iata estimates.

In North America, passenger numbers are expected to decline by 2 per cent this year, limiting the average annual increase in passenger numbers to 5 per cent during the 1991-95 period.

Thirteen die in South African violence

AT LEAST 13 people were killed in political violence in South Africa over the weekend, AP reports from Johanneshnrg qnoting police reports.

Most of the violence was in the eastern province of Natal, where 11 people were killed. The dead inclnded a police officer stabbed to death near Durban.

Six people were killed and at least 10 injured when a man hurled a grenade at a wedding reception late on Saturday in a house at Umbumbulu, also near Durban.

The Zulu-dominated Inkatha Freedom party said the house belonged to one of its leading supporters in the area. The man was not hurt in the attack.

Efforts to halt factional violence with the signing of a peace treaty on September 14 between Inkatha and the rival African National Congress, which are divided by ideological and tribal differences, have had little effect. More than 160 people have died in political violence since the treaty was signed.

Japan's industry shows symptoms of slowdown

By Robert Thomson in Tokyo

JAPAN'S industrial production index in September rose 0.2 per cent from a month earlier and only 0.7 per cent from a year earlier, reflecting the general slowdown in economic growth.

The Ministry of International Trade and Industry (Miti) said that of the 21 sectors covered under the manufacturing index, only seven recorded rises in production compared to levels a year earlier, and the rebound from a 2.5 per cent fall in the index in August was slightly less than expected.

The seasonally-adjusted production index stood at 127.3, with 1985 as the base of 100, while the shipment index was at 129.3, up 0.6 per cent from a month earlier, and the inventory index was 0.6 per cent lower at 118.2.

The decline in the inventory index was the first since July last year, hnt the ministry said that the figure was distorted by a sharp fall in the "transportation equipment" category, with car stocks apparently reduced in expectation of new model releases.

That category aside, the inventory index rose 0.2 per cent during the month.

The figures prompted renewed calls for a cut in Japan's official discount rade (ODR) from the present 5.5 per cent, but the Bank of Japan has attempted to cool expectations that a reduction is imminent.

Bank officials now hint that a cut is likely in mid-November. However, they continue to insist that industry has not been hurt by the tight monetary policy.

Lisbon MPs angry at East Timor deadlock

By Clare Bolderson in Jakarta

EFFORTS to end the 16-year-old dispute hetween Indonesia and Portugal over the status of the former Portuguese colony of East Timor have collapsed with the indefinite postponement of a visit to East Timor by members of the Portuguese parliament.

Lisbon said on Saturday that the visit, due to have taken place from November 4, would not go ahead until Indonesia agreed to drop its veto of a foreign journalist selected by Portugal to cover the event.

Mr Ali Alatas, the Indonesian foreign minister, said in an angry response yesterday that Jakarta had no intention of changing its position and allowing Jill Joliffe, an Australian jonrnalist whom he accused of having "a closed mind" in her reporting of events in East Timor, to accompany the delegation.

Mr Alatas said it had heen agreed some time ago that either side could object to the presence of the foreign journalists selected by the other.

The territory was abandoned by the Portuguese in 1975 and after a short period of civil war was invaded and annexed by Indonesia. The UN does not recognise it as being a part of Indonesia.

Mr Alatas said he had no idea where attempts to settle the issue would go next.

Ex-Indian PM in temple row

POLICE warned yesterday that they would arrest a former prime minister, Mr Vishwanath Pratap Singh, if he carries out a threat to lead a public protest against Hindu militants in the north Indian town of Ayodhya, Reuter reports from Delhi.

The town is the scene of a hitter dispute between Moslems and Hindus over ownership of a shrine which has claimed at least 2,000 lives in rioting over the past two years.

Mr Singh, himself a Hindu, plans to lead a sit-in demonstration against Hindu militants today. He said he was acting in defence of India's constitutional ideal of secularism. But a senior police officer in Ayodhya said: "If V P Singh is not arrested by the time he reaches here, we will take him into custody. We will not allow another confrontation to build."

The dispute over the shrine played a part in the fall of Mr Singh's government, which lost a vote of confidence in 1990.

He had ordered a crackdown against Hindu militants besieging the shrine, a centuries-old mosque which they say stands on the site of the birthplace of the god Rama.

Mr Singh told a news conference in Lucknow, 200km from Ayodhya, that he was determined to lead the sit-in despite the police warning.

At the same time the local police chief, Mr Mohan Saraswat, said that 5,000 supporters of the Vishwa Hindn Parishad (World Hindu Organisation - VHP) had come to Ayodhya for a possihle assault on the mosque. VHP sources said that they planned ceremonies to commemorate the anniversary of Mr Singh's crackdown in which police opened fire, killing at least 16 militants trying to storm the mosqne.

Officials said 1,700 paramilitary police had been deployed in the district around Ayodhya to prevent trouble.

"The town is tense," said Jai Shankar Pande, a resident wbo supports Mr Singh. "Some Moslem families have left fearing an outbreak of violence."

● Pakistan yesterday denied Indian claims that its forces violated a recent accord to prevent clashes between the two armies in Kashmir by launching an assault across their ceasefire line, Reuter reports from Islamabad.

Philippines privatisation reaches only half target

THE Philippine programme to sell state companies and other assets has only reached more than half of its target after five years, and will try to finish disposing of the big items this year, the Committee on Privatisation said, Reuter reports from Manila.

Philippine Airlines, Philippine National Bank, which is only 30 per cent privatised, Manila Hotel Corp and the National Steel Corp top the state properties listed for public sale in 1991, the committee said in a report.

"Privatisation activities are presently focused on the sale of large/highly visible corporations," it said. "Shares of stock of these corporations are slated for sale within the year."

The committee said the programme had generated Pesos 42bn ($995m) in gross revenues from the sale of state assets since it was launched in early 1987.

The programme had sold 69 of 122 listed government-owned and controlled corporations for Pesos 9bn and 259 of the 399 government assets – mostly financial claims on companies indebted to government banks – for Pesos 33bn. The proceeds were earmarked for land reform, which President Corazon Aquino had promised to be the centrepiece of her government. The state assets were from the time of late president Ferdinand Marcos.

Kaunda rattled by the spectre of election defeat

Julian Ozanne on the run-up to Zambia's first experiment with political pluralism since independence

EVERY night state-run television in Zambia runs a political broadcast by the ruling United National Independence Party (Unip) and President Kenneth Kaunda – who face possible defeat on Thursday in the country's first multi-party elections since 1968.

For three minutes the screens are filled with the harrowing images of Africa's violent history – napalm victims of Ethiopia's civil war, famine-stricken mothers with emaciated children and refugees in squalid camps. The commentary warns Zambians not to let the country do go down this road of chaos.

Eighteen million Africans are displaced from their homes, the advertisement says. Five million are refugees. Not a single one of them is a Zambian. "Vote wisely. Vote Unip. Vote KK."

After 27 years in power Mr Kaunda, or KK as he is known to his 8m people, is facing the strongest challenge of his career. The opposition Movement for Multiparty Democracy (MMD), which forced a reluctant Mr Kaunda to concede political pluralism last year after anti-government street riots, has swept the country and drawn on a reservoir of economic disaffection.

In the absence of opinion polls, western diplomats are predicting that the MMD and its presidential candidate, Mr Frederick Chiluba, a 48-year-old trade unionist and son of a copper miner, are heading for victory if Mr Kaunda allows free and fair presidential and parliamentary elections.

It is a sign of the desperation of the only president Zambia has known since independence that Mr Kaunda, still only 67, has been forced to raise the bogey of chaos against the opposition as his main campaign plank.

Whatever the result of this week's elections, in which Zambia becomes the first English-speaking African nation to succumb to the democratic sentiments which have erupted across the continent in the past 18 months, it will have consequences beyond Zambia's borders.

The polls will formally bury one of the most significant experiments with the one-party state and the disastrous African socialist model of economic development. More than that, however, Zambia's move to democracy is certain to have knock-on effects in other former British colonies, such as Kenya and Tanzania, where pro-democracy activists are battling against single-party rule. "Twenty-seven years ago we were a nation divided according to our tribes and racial groups," said Mr Kaunda in a recent interview at State House, Lusaka.

Glyn Genin

Kaunda: faces strongest challenge of his political career

"Yet today we are truly one Zambia, one nation. That is a proud record on this turbulent continent ... only when there is peace can there be development."

Yet for almost three decades that development has eluded Zambia – and the state of the devastated economy has been the hottest election issue. Part of the blame can be laid on factors outside Mr Kaunda's control: the destabilising impact of civil wars in neighbouring Mozambique, Angola, Zaire and Rhodesia (now Zimbabwe) and the slump in the world price of copper – which accounts for 90 per cent of export earnings – have taken their toll.

But nationalisation, price controls, bureaucratic regulations and corrupt mismanagement have had a more pernicious impact on an economy which at independence was predicted to be facing a brighter future than that of most African nations.

The economy first started to dive in the early 1970s as the poor results of nationalisation collided with falling copper prices and rising oil costs.

From 1974-1983 real gross domestic product declined by 30 per cent. During that decade debt service payments, before rescheduling, almost reached a level equivalent to total export earnings. The government tightened price control and extended subsidies on basic consumer goods – fuelling the budget deficit and inflation and discouraging domestic agricultural production.

In the face of a critical maize shortage this year the government has had to arrange a $45m (£26.3m) foreign exchange facility to import 150,000 tonnes of maize from South Africa. Copper, too, has suffered from nationalisation. The industry is facing a severe shortage of new investment and rising production costs.

The opposition has capitalised on the widespread economic discontent. Its campaign posters stress the failures of Unip rule with images such as schools without windows and desks, and hospitals without beds. "The economy would have never got so bad if Unip had not exercised such political interference through the one-party state," said Mr Chiluba in a recent interview.

The MMD has promised comprehensive economic reform embracing full-scale privatisation, cuts in the political civil service and stricter fiscal discipline. It hopes such a programme will attract the confidence of foreign investors.

The presence of a number of ex-Unip barons in the upper echelons of the MMD, including four previous finance ministers, has tainted the promise of the MMD to be ushering in a new economic and political order.

The greatest test for both parties will be to control their excited supporters and demonstrate their maturity by accepting the result once it has received the stamp of approval of both local and international monitors led by former US president Jimmy Carter.

If there is a successful political transition, without a descent into violence, it will erode one of the principal arguments put forward against democracy by Africa's dwindling one-party state presidents and provide a powerful example for other countries on the continent to follow.

IMF chief says India needs further reforms

By K K Sharma in New Delhi

INDIA will have to introduce further economic reforms, particularly in its taxation structure, and open the economy to international competition before it can qualify for a larger loan from the International Monetary Fund's extended fund facility (EFF), according to Mr Michel Camdessus, the managing director of the IMF.

Mr Camdessus indicated, during a recent three day visit, that India would need a three to four-year structural adjustment programme that would move the economy to an open, competitive regime before conditions for the loan from the EFF would be met.

In comments published in Indian newspapers yesterday, Mr Camdessus said this was possible at the beginning of next year and that the next budget, due to be presented in February, would be the central instrument of the reforms.

● Mr Camdessus indicated that a fiscal deficit reduction to about 4 per cent of GDP should be aimed at.

■ Non-resident Indians and companies fully owned by them will be allowed ownership of all the equity in 31 industries categorised by the government as "high priority", the government said yesterday.

WORLD TRADE NEWS

Nafta teams 'set to start work on treaty text'

By Damian Fraser in Zacatecas, Mexico

THE third ministerial meeting of the North American free trade talks (Nafta) has ended in Zacatecas, Mexico, witb negotiators saying they are ready to start working on the text of the treaty.

But the trade ministers, while claiming the meeting was a success, did not offer any details on where progress had been made. However, a senior US trade official punctured some of the official optimism by saying: "We are not at the point where a lot of these [trade] issues are ready to be decided".

In contrast to earlier suggestions by Mexican officials, he said a full draft agreement would not be ready for the the fourtb ministerial meeting, scheduled for January next year.

Tha Zacatecas meeting, the most important of the three so far, was the culmination of four months' talks in which Mexico, Canada and the US identified barriers to trade between them, analysed the effects of removing them, and laid down aims for the free trade pact.

Mr Jaime Serra Puche, Mexico's trade minister, said the preliminary talks were over. The three countries would soon negotiate removal of tariff and non-tariff barriers, determination of North American rules of origin for products, and setting up dispute mechanism procedures. Tbis process would lead eventually to exchanging of texts.

The Zacatecas talks covered the car, textile and energy sectors, reflecting the deep splits between tbe three countries on how to liberalise these industries.

"We did not solve problems by a long shot, but in the end we accomplished something," a US officisl said. President Carlos Salinas de Gortari of Mexico may have speeded an agreement on energy by promising last week to reduce the nnmber of petrocbemicals whose production was exclusively reserved for the state.

The negotiators did not discuss the possibility of giving special treatment to the car companies already located in Mexico, one of the most controversial demands of the US big three car companies. Mr Serra stressed that so-called parallel issues, tbe proposed pact's effects on the environment and labour, would not be part of the treaty.

The Zacatecas meeting comes as US officials, unlike their Mexican counterparts, seem to be damping hopes that an agreement could be reached in 1992.

India stays closed for insurance industry

But business thinks more competition would improve services, writes Kunal Bose

THE announcement by Dr Manmohan Singh, India's finance minister, that New Delhi will not allow foreign general insurance companies to market services and products in the country, should end speculation, for the time being, that the Iodian insurance market will be thrown open gradually.

The speculation started when the issue of re-entry of foreign insurance companies was taken up for discussion during the brief tenure of the Chandra Sbekhsr caretaker government. The US, especially, had been pressing New Delhi to let its insurance companies operate in India. US companies have expressed displeasure thet New Delhi, which nationalised the general insurance industry 17 years ago, has refused to let foreign companies market products and services on a sslective basis. Their basic interest is in fire, marine and hi-tech industry insurance business.

The decision to keep the foreign companies out stsms partly from the fact that the market would hsve to be opened up first to the Indian private sector. There is already some foreign insurance involvement in reinsurance and marine freight insurance. But it has come as a disappointment to Indian industry and commerce, which thinks more competition would improve cnstomer service. There is also an element of surprise, since the government is pursuing a broad policy of economic and financial liberalisation with an eye to attracting foreign investment.

But, according to Mr S.V. Mony, chairman of the General Insurance Corporation (GIC), an element of competition was built in when 107 companies, including branches of foreign companies, were amalgamated into four companies: National Insurance, New India Assurance, Oriental Insurance and United India Assurance. GIC is the holding company.

All four operate on an all-India basis. Since the tariff structure is uniform, clients are won or lost depending on services offered, Mr Mony said. Even then, he admits, much needs to be done "in sensitising our personnel to customer requirements and gearing up the training mechanism to that end". The 10-year strategic plan for the industry now being prepared will focus on developing human resources with the aim of improving customer service. By the year 2000, the industry will be handling a premium income of Rs120bn (£2.7bn), a volume

Rural India: an emerging insurance market

which will justify computerisation. Mr Mony and senior executives are concentrating on convincing the unions that computerisation should not be seen as an anti-labour move.

The insnrance companies will be unable to achieve any big improvement in customer service until the unions agree to computers being used to prepare policy documents and process claim settlements. Management intends to deploy those workers made redundant by computers to improving personal contacts with clients. The unions have been told no

'The decision to keep foreign companies out stems partly from the fact that the market would have to be opened first to the Indian private sector'

overall job cuts will be made.

Since the industry was nationalised, general insurance business has taken on a new complexion. Besides continuing to offer insurance cover to industry, trade and transport, it is being required to develop products and services for India's vast rural and semi-urban areas.

Some of the products designed for the rural areas such as failed-well and agricultural insurance have given a negative return to the insurance companies, but they have made a positive impact on the rural economy, Mr Mony says.

Certain insurance covers such as hut insurance and a personal accident social security scheme are fully funded by the government bnt administered by the insurance companies. These schemes are specially designed for the poorest sectors of Indian society. Most insurance cover for India's rural and semi-urban areas need to be subsidised, but fulfil a primary aim of nationalisation. Mr Mony says the industry plans to penetrate the rural and semi-urban areas more deeply. Personal insurance will be the main campaign focus.

He is satisfied with tha industry's performance in the post-nationalisation period. Total gross direct premium written has grown from Rs1.84bn in 1973 to Rs28bn last year. The industry, through more than 4,000 offices and over 80,000 employees, is marketing its products and services throughout the country, except some virtually inaccessible areas. Not all these offices are viable, but a large network must be kept up to fulfil a main aim of nationalisation.

Mr Mony says one feature of tha Indian insurance industry is its steady growth since 1973. A solid capital and reserve base of Rs14.55bn has let it withstand adverse business conditions. Bnt be says tbe industry must now look to developing a new range of prodncts for high-technology industries, redesigning many existing insurance covers and their pricing. The recent liberalisation of economic and trade policies also demands a more professional approach to customer service, he adds.

US signals progress for China talks on copyright

By Nancy Dunne in Washington

THE Bush administration has indicated some progress in its efforts to propel China along a path of intellectual property rights protection, by failing to pnblish a list of potential trade sanctions.

US trade officials hope for a breakthrough which will allow them to avoid retaliation. This could come whan Mrs Carla Hills, US trade representative, meets Chinese officials between November 12-14 at an Asia-Pacific Economic Co-operation (Apec) meeting in Seoul.

The US demand that Beijing put into place protection for patents, trademarks and trade secrets is one of several issues aggravating their relationship. Mrs Hills has initiated a formal complaint against Chinese import barriers, and the US Customs Service has cracked down on shipments of goods which may have been made by prison labour.

Last April, Mrs Hills placed China, with India, on the "Special 301 Priority Watch List" for failing to protect US copyrights, trade secrets and patents of pharmaceuticals and other cbemicals. Worldwide piracy of all forms of intellectual property costs US industry hundreds of millions of dollars a year.

The "Special 301" provision gives the US trade representative six months to convince US trading partners to change the "egregious" practices which "result in an adverse impact on US industry. Talks can be extended by three months if agreement seems near.

The six-month deadline is November 26, and the trade representative was due to publish a list of potential sanctions last Friday. But on that day, Mr Joseph Massey, assistant US trade representative for Japan and China, finished several days of hard bargaining in Beijing and left for Washington.

Trade officials will use the next 30 days to assess progress and push for further concessions. US officials have announced their "pleasure" with the results of four sets of recent talks with India.

Time Warner in Hungarian cable TV joint venture

By Karen Zagor in New York

TIME Warner, the US entertainment giant, is entering the Hungarian cable television market though a joint venture with United Communications International, a Denver-based company already operating a cable television service in Hungary.

Time Warner's Home Box Office (HBO) pay television film channel started broadcasting in Hungary last month. As well as offering a list of films from Warner Brothers and Twentieth Century Fox, HBO has reached an exclusive agreement with MOKEP, a Hungarian distributor, to show Hungarian films.

HBO has a strong presence in the US, with revenues of about $1.3bn (£760m) last year, but has yet to expand widely in overseas markets. The Hungarian venture marks its first move into Europe, as HBO's only foreign venture outside Latin America. United Communications International is a partnership between United International Holdings and US West, a company carved from the AT&T break-up.

San Francisco tram contract goes to Italy

ITALY'S state-owned Breda railway group has made further inroads into the US mass transit market by winning a $82m (£47.9m) contract to supply trams to San Francisco, Robert Graham reports from Rome.

The order, from the San Francisco Public Utilities Commission, is for 35 vehicles with an option on another 20. They will be used on city-centre routes, carrying 62 passengers seated and 164 standing.

The trams will be made in Italy with final assembly in the US, with General Electric engines. Breda, controlled by Efim, the state industrial holding company, has supplied subway cars to Cleveland, Los Angeles, and Washington, and dual-propulsion buses for Seattle.

JAL orders 20 Boeing 777s in deal worth about $2bn

By Paul Betts, Aerospace Correspondent

JAPAN Airlines (JAL) became the latest customer for Boeing's new 777 twin-engine wide-body airliner yesterday, with an order for 20 aircraft worth about $2bn (£1.1bn).

The JAL order is a blow for both the European Airbus consortium and McDonnell Douglas of the US, which were both competing against Boeing. McDonnell Douglas had hoped to interest JAL in its new MD12X three-engine airliner, a stretched derivative of its MD11 wide-body aircraft. The European Airbus consortium was also seeking to clinch the JAL order with its new A330/A340 wide-body aircraft.

JAL follows All Nippon Airways, its Japanese competitor, in ordering the new Boeing 777 airliners. The JAL deal involves 10 firm orders and options for another 10 aircraft, with deliveries starting in 1995.

British Airways, United Airlines, Lauda-Air of Austria and Eurolair of France have also ordered 777s. The new $4bn airliner programme was launched by Boeing last year. It includes three Japanese partners: Mitsubishi Heavy Industries, Kawasaki Heavy Industries, and Fuji Heavy Industries, which between them have a 20 per cent share in the project.

JAL said it plans to use its new 777 fleet on short- and medium-range domestic and Asian flights. It had not chosen what engine would power its 777s, but is expected to decide within six months. The three top engine makers, General Electric and Pratt & Whitney in the US and Rolls-Royce in the UK, have been battling to win engine orders for the new 777 market.

Rolls-Royce does not seem strongly placed to win the JAL 777 engine order. JAL opted for Pratt & Whitney engines for the 20 MD11s it ordered from McDonnell Douglas last year, and General Electric engines to power its fleet of Boeing 747-400 Jumbos. The JAL order is a boost for Boeing, which yesterday reported a $95.9bn backlog of unfilled orders at end-September, down from $98.2bn the previous quarter.

Murdoch signs deal for Finnish paper supplies

MR Rupert Mnrdoch, the publisher, has signed a three-year agreement with Finnpap, a Finnish paper *marketing* association, to supply News Corporation with 150,000 tonnes of paper a year for a cost of over FM400m (£56.5m), Enrique Tessieri reports from Helsinki.

Finnpap said annual paper supply amounts stipulated in the agreement were minimum amounts and could exceed 150,000 tonnes a year. Finnpap deliveries to News Corporation will mostly consist of newsprint and to a lesser degree, uncoated and coated magazine paper grades.

Finnish groups supplying News Corporation with the paper will be Metsä, Serla, Myllykoski, Tampella, Veitsiluoto and United Paper Mills.

UIP tries to break up 'monopoly' on satellite television

By Raymond Snoddy

United International Pictures (UIP), distributor for three Hollywood studios, has begun legal action to try to break up British Sky Broadcasting (BSkyB), the UK satellite television venture on the grounds that it is an anti-competitive monopoly.

UIP has filed an action in the London High Court alleging that under European Community rules the merged BSkyB has abused its dominant position in the pay television marketplace.

The action is being taken against British Satellite Broadcasting and Sky Television which merged last November and also the principal shareholders involved News International, Pearson (publishers of the Financial Times), Chargeurs, Reed International and Granada.

The action by UIP, which represents Paramount, *MCA* and MGM-Pathe, was filed at the same time as a defence to legal action against UIP by BSkyB.

In September the UK satellite television company issued a writ against UIP on the grounds that the combining of three studios under a single distribution arm was anti-competitive. BSkyB is seeking £150m in damages and the setting aside of an $800m film deal.

In turn UIP is now seeking substantial, but unspecified damages, against BSkyB.

Mr Gary Marenzi, president of the Pay TV division of UIP said yesterday: "We are serious about this because it is basically anti-competitive and they have been more and more as a monopoly over the last few months."

Mr Marenzi cites the BSkyB decision to raise subscription rates at the beginning of this month and squabbles with cable television operators about conditions for carrying the new Comedy Channel.

Organisations such as UIP are also concerned that when present *film rights run out* they could be negotiating with a pay television monopoly.

UIP is now arguing there should be a de-merger of BSkyB into its original parts BSB and Sky Television. The restoration of "an economically viable BSB would restore competition to the benefit of consumers and suppliers," the company said yesterday.

UK ECONOMY

Stock market records biggest one-day rise for two months

By Peter Marsh, Economics Staff

THE London stock market yesterday cast off some of its recent depression, as hopes of a brighter outlook for the economy sparked the biggest one-day rise in share prices for two months.

Expectations that today's quarterly industrial trends survey by the Confederation of British Industry, the employers' organisation, will indicate an increase in business confidence were a key factor behind the rise, which came after a large drop in prices last week.

The market was also looking ahead to the annual Mansion House speech in the City of London on Thursday by Mr Norman Lamont, when the chancellor of the exchequer is expected to give an upbeat view of economic prospects over the next few months.

In spite of the increased investor interest in equities, which was most apparent in blue-chip stocks such as Imperial Chemical Industries and Glaxo, trading volumes were low and the rise in prices lacked momentum. Ms Ruth Lea, chief UK economist at Mitsubishi Bank, said: "The concrete evidence about a recovery is thin."

Last night, the FT-SE 100 index of leading stocks closed at 2,558.5, up 43.8 on Friday's close. The rise was about half the drop in prices last week, when the market was hit by worries about the strength of the recovery and a possible Labour victory in the general election.

The London market now stands at about the same level as in mid-August, which is when it last experienced a comparable one-day increase.

The buoyancy in share prices came against the background of the widely expected failure of the British Aerospace rights issue. It was helped by anticipation that the CBI survey will raise hopes of an export-led recovery.

The survey, which exactly a year ago provided one of the first indications of the likely depth of the recession, has a strong track record in predicting changes in the economy.

It will be published after similar polls of business opinion have pointed to growing confidence that sales and profits will soon start to rebound, and as retailers begin to build up hopes that Christmas will coincide with a much-delayed surge in consumer spending.

The fragile indications of recovery were, however, scorned by Mr Neil Kinnock, the Labour leader.

Touring a factory in Langbaurgh, Cleveland, he said Britain was still awaiting signs of a rise in investment and employment. "What we need most of all is an investment-based recovery that will give us strength and a better competitive edge."

Lex, Page 22, LSE, Page 31, BAe rights issue, Page 23

Leading companies to review equal opportunities for women

Diane Summers examines the latest goals set by household names

A TOTAL *of* 62 organisations, the majority of them household names, were signed up for the Opportunity 2000 campaign by the time of its launch yesterday. The aim is to double the number of companies involved over the next six months.

Each of the participating organisations publicly set out its goals for employing and promoting women during the rest of the decade. These goals were published in summary form by Business in the Community, the voluntary organisation leading the initiative.

Most of the companies featured below focus their equal opportunity policies on numerical goals, which are arguably the most tangible evidance that companies mean business on equal opportunities issues.

BBC

The BBC has been one of the leading organisations in setting numerical targets for the promotion of women. No new figures were released yesterday, but existing targets are for the following female/male ratios: 30:70 for senior executive grades; 40:60 senior management; 40:60 management.

These targets are to be reviewed in 1996 and further targets set for the year 2000.

The BBC intends to introduce more sophisticated monitoring procedures, further flexible working arrangements, and a policy and procedure to deal effectively with harassment at work.

British Airways

Out of 50,000 British Airways staff worldwide, 32 per cent are women. Stated principal goals announced yesterday to be achieved by the year 2000 are: "Women employed at all levels in the airline's UK workforce will reflect the proportion of women currently employed in the total UK workforce. (1991: 32 per cent; 2000: 42 per cent). Women managers in the airline's UK workforce will reflect the *proportion* of *women* currently in full-time employment in the total UK workforce. (1991: 20 per cent; 2000: 27 per cent.)"

An equality steering group, chaired by the director of human resources is to prioritise and implement recommendations for action.

Departmental equal opportunity objectives are to be incorporated into the performance appraisal system for managers.

IBM (UK)

IBM has set itself four goals: "To contribute externally to the advancement of women in the national workforce; ensure that the company takes full advantage of tbe economic potential of women in the workforce; encourage women employees to realise their full potential; and increase the representation of women in senior management positions."

To achieve these goals the company is aiming for 30 per cent of its graduate intake to be female and at least one of its directors to be a woman by 1995.

Chartered Institute of Management Accountants

The professional body for management accountants announced that it aims to increase the proportion of its 31,000 members from the current 7 per cent who are female to 20 per cent female membership by the year 2000.

It also aims to increase the percentage of women fellows of the institute from 1.7 per cent to 6 per cent by the end of the century, and to reflect the composition of tbe growth in women *membership within* senior levels of staff within Cima.

Action will include improving recruitmant literature to provide role models for aspiring women management accountants, and investigating possible barriars to women's progress.

J Sainsbury

Over 95,000 staff, of wbom about two-thirds are women, are employed in over 320 supermarkets and 60 DIY stores. At the end of the last financial year there were over 5,000 women managers, representing 40 per cent of total management.

New measures announced yesterday included scbolarships to Sainsbury's women weekend stndent employees who are going on to higher education to take courses in areas in which women are traditionally under-represeoted, such as retailing.

Grand Metropolitan

Women currently account for about *14* per cent of Grand-Met's senior managements out of a workforce of 41,000 in the UK, 67,000 in the US, 7,000 elsewhere in Europe and 8,000 in the rest of the world.

To improve the level of famale representation, the group plans to set renewable three-year plans for each business and will ensure each company has specific programmes to address family responsibility issues.

Kingfisher

The retailing gronp, which includes B&Q, Comet and *Woolworths and employs over* 61,000 people in the UK, currently has 69 per cent female employees. A total of 31 per cent of managers in the group are women.

Goals set within the group include: increasing the percentage of women in management from 14 per cent to 20 per cent within five years, with 50 per cent more women at senior management level (Superdrug); recruiting 80 per cent of all management vacancies internally by 1995 (Woolworths); increasing the representation of women in the workforce to 40 per cent (Charlie Browns).

National Westminster Bank

In 1979 women formed 4 per cent of management among NatWest's 111,000 employees; by June 1991 this had risen to 16.3 per cent.

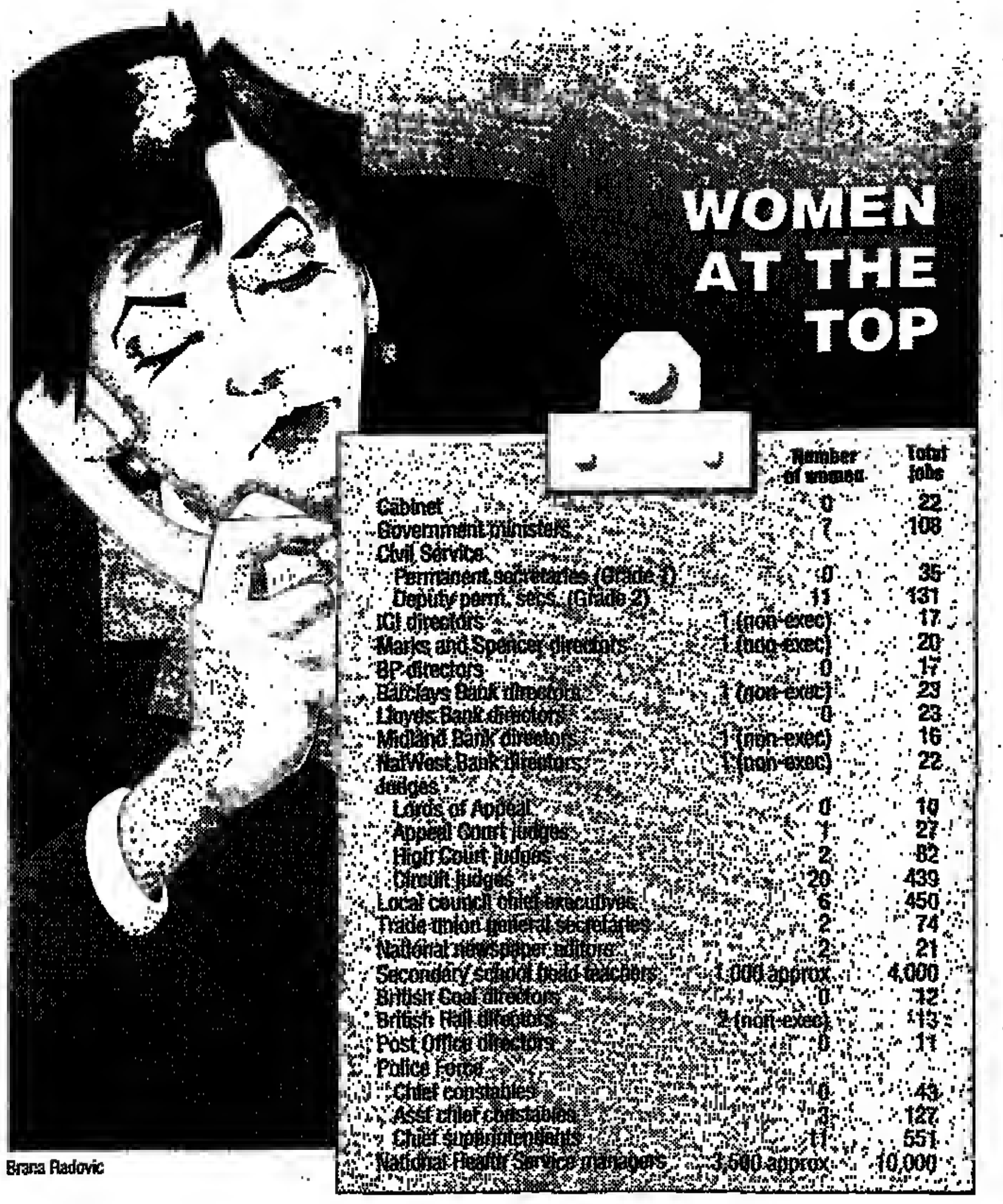
The principal goals of the clearing bank, one of Britain's largest, is now to raise the percentage of women in the management team to 33.3 per cent by the year 2000.

Action will include the introduction of new training and development programmes, inclusion of women on all shortlists for junior management posts, a widening of flexible working to management positions, and a six-monthly progress review by the board of directors on equal opportunity issues.

Rank Xerox

Out of 4,500 employees in the UK and Ireland, about three-quarters are male – 75 per cent are male in sales and marketing. The company has set itself the target of increasing the percentage of women in management levels to 25 per cent in 1995. At that point, goals for the year 2000 will be set, says the company. Childcare support options are to be reviewed and opportunity integrated into the review *of* mainstream goals.

Editorial Comment, Page 20



	Number of women	Total jobs
Cabinet	0	22
Government ministers	7	108
Civil Service		
Permanent secretaries (Grade 1)	0	35
Deputy perm. secs. (Grade 2)	11	131
ICI directors	1 (non-exec)	17
Marks and Spencer directors	1 (non-exec)	20
BP directors	0	17
Barclays Bank directors	1 (non-exec)	23
Lloyds Bank directors	0	23
Midland Bank directors	1 (non-exec)	16
NatWest Bank directors	1 (non-exec)	22
Judges		
Lords of Appeal	0	10
Appeal Court judges	1	27
High Court judges	2	82
Circuit judges	20	439
Local council chief executives	6	450
Trade union general secretaries	2	74
National newspaper editors	2	21
Secondary school head teachers	1,000 approx	4,000
British Coal directors	0	12
British Rail directors	2 (non-exec)	13
Post Office directors	0	11
Police Force		
Chief constables	0	43
Asst chief constables	3	127
Chief superintendents	11	551
National Health Service managers	3,500 approx	10,000

Brana Radovic

Sales teams to merge at TV stations

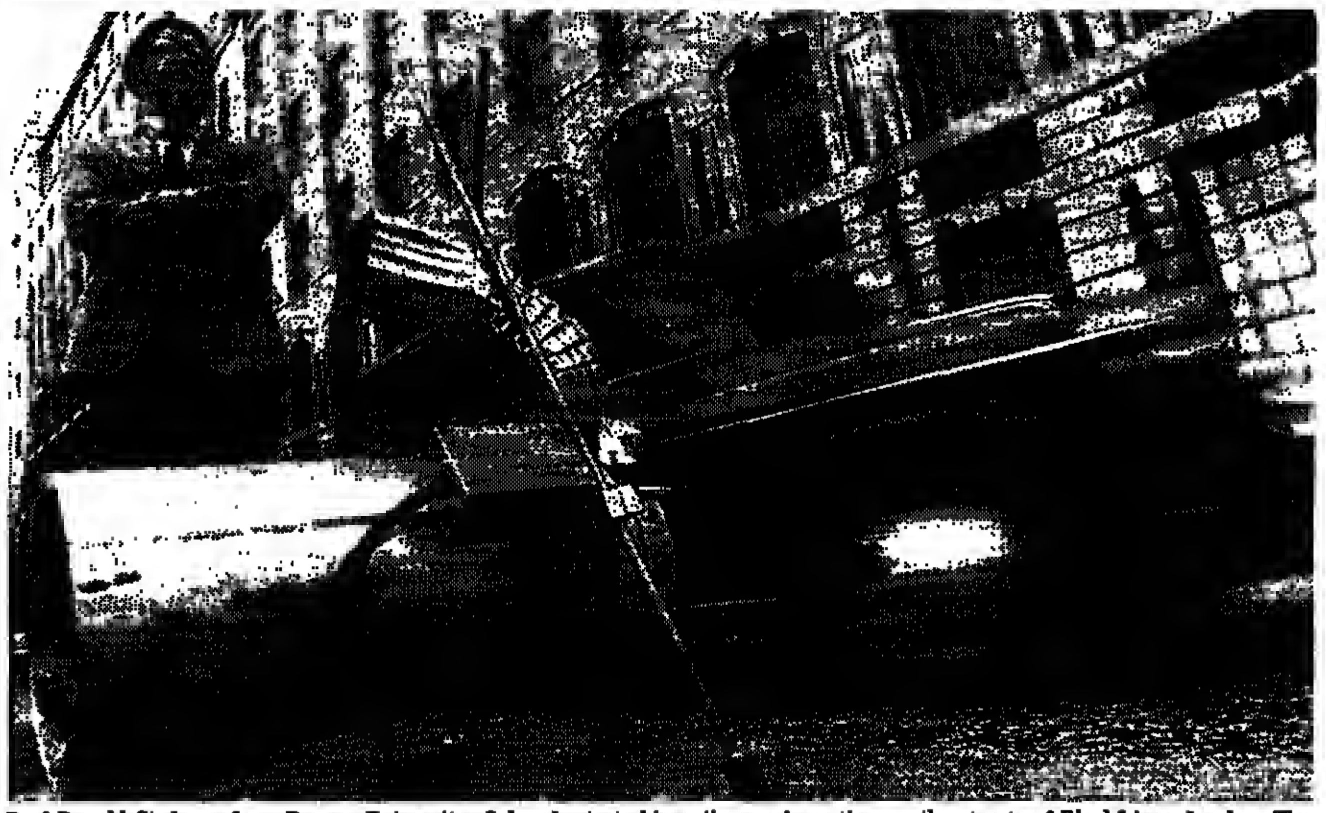
MR TONY Vickers, sales director and deputy managing director of TV-am is to become group sales and marketing director of Sky Television, the satellite television venture, Raymond Snoddy writes.

The appointment comes less than two weeks after TV-am lost its breakfast franchise to Sunrise in the competitive tenders for new 10-year licences.

Mr Vickers move has the blessing of Mr Bruce Gyngell, the TV-am chairman and his board. It amounts to a merger of the advertising sales teams of TV-am and Sky each of which has a staff of about 30 each. The deal could lead to other co-operative deals between the two broadcasters.

A joint advertising sales team will now be formed which, apart from selling advertising for the Sky Television channels will also represent TV-am until the end of its franchise.

The TV-am sales force will be able to apply for jobs on the Sky team but it is clear there will be some jobs losses.



Prof Donald Stedman from Denver University, Colorado, tests his anti-smog invention on the streets of Blackfriars, London. The device uses an infra-red beam to measure carbon monoxide emissions from passing vehicles and incorporates a video camera to film registration numbers. Prof Stedman's invention is being used by the Royal Automobile Club to assess what percentage of vehicles will fail the exhaust emission check which is to be incorporated into annual tests on roadworthiness from Friday.

BRITAIN IN BRIEF

Miners' union plans coal buy-out

Lloyds Merchant Bank is working on a plan for an employee buy-out of British Coal by the Union of Democratic Mineworkers (UDM), the bank has revealed.

The plan will rival the controversial proposal for the privatisation of British Coal from *N. M. Rothschild*, the government's adviser on the sale.

The bank will consider the options for a UDM buy-out of the whole or part of British Coal, should the company be privatised.

Rival to British Gas to be set up

Eastern Electricity is setting up a gas-marketing subsidiary, bringing new competition for British Gas. The subsidiary, e gas, is a joint venture between the privatised regional electricity company and UtiliCorp UK – a subsidiary of UtiliCorp United, the US gas and electricity group – which has 25 per cent of the company.

E gas will supply medium-sized commercial and industrial customers taking between 25,000 therms and 200,000 therms of gas per year.

Ashdown reveals policies

Mr Paddy Ashdown, leader of the Liberal Democrats, has implicitly acknowledged that the party could be involved in political horse trading if the next general election ends in stalemate. But he refused to be drawn on the conditions his party would lay down.

Mr Ashdown outlined five constitutional measures the party would campaign on, including home rule bills for Scotland and Wales.

Increase in sick pay costs

Sick pay costs, as a proportion of total labour costs, have increased in nearly one organisation in three over the past four years, according to an Industrial Relations Services survey. The survey finds that sickness absence is higher for manual workers with levels of absence reaching 4 to 5 per cent compared with 2 to 3 per cent for non-manual workers.

Kinnock urges investment

Recovery from the recession must be based on investment by businesses, not just on a rise in consumer spending, Mr Neil Kinnock, the Labour leader, has said (pictured above).

Mr Kinnock, speaking in north-east England during a by-election visit, said that the latest reports from chambers of commerce suggested a "faltering recovery".

He said they reported a continued fall in investment in new plant and machinery and little likelihood that employment, especially in manufacturing industry, would recover for another two to three years.

Attack on education

Comprehensive schools fail to encourage children sufficiently, and policies recognising differences between pupils' abilities and aptitudes should be devised, according to a leading educationalist at the Centre for Policy Studies. Mr John Marks, writing for the Social Market Foundation, condemns "a climate of opinion which has stressed equality of outcome before equality of opportunity" in education.

Iraqi sanctions 'must remain'

The attempt by Iraqi president Saddam Hussein to escape the consequences of his aggression against Kuwait by blaming the United Nations for food shortages must not be allowed to succeed, Mr Douglas Hurd, UK foreign secretary, has warned.

He was adamant that UN sanctions must remain so long as Saddam Hussein stayed in power and stressed "the international community will not be blackmailed".

While acknowledging the impact made by recent television pictures of distressed Iraqi women and children Mr Hurd insisted: "The man who bears responsibility for their plight is Iraq's own leader".

Medicines had never been covered by the UN embargo on trade with Iraq, Mr Hurd said, while the restrictions on the export of food to Iraq were lifted in April.

Prison dispute is called off

Industrial action at one of the busiest jails in Britain has been called off after the Home Office agreed to draft in extra staff from other jails.

The Prison Officers Association at Brixton prison started refusing to take new prisoners from Friday night in a dispute over manning levels in the prison which has an official capacity of 729 but currently houses 1,000.

It is the second time in one week that the POA has backed off from industrial action. In the first case, at Wakefield Prison, the union said it did not want to give the government an excuse to "smash the union".

Job losses at Rolls-Royce

Rolls-Royce Motor Cars, the UK luxury car maker and a subsidiary of Vickers, is to cut another 420 jobs at its plant at Crewe, Cheshire in response to the continuing steep fall in its worldwide sales. The latest redundancies means that the company will have reduced its UK workforce by more than a third this year to just over 3,100 from 4,850 at the end of last year. It has already cut some 1,330 jobs. The company said that some compulsory redundancies appeared inevitable

EC social action plan would hinder small business growth

By Charles Batchelor

THE European Commission's social action programme, which will harmonise social security rights throughout the community, could severely damage the growth of small companies in Britain, Mr Michael Howard, employment secretary, warned yesterday.

The UK government accepts most of the programme's 47 proposals but rejects 10 which it believes will add to the costs of employers both large and small, undermine competitiveness and put jobs at risk, he told a conference organised by eight UK business organisations.

The government and the business groups are most concerned about the impact of directives to regulate working hours, the conditions of temporary and part-time workers, night working and benefits for pregnant women.

The government estimates that the impact of these proposals would be to add £2.5bn to employers' costs in the UK. If a plan to restrict the working week to 48 hours, proposed by some member states though not by the European Commission, were implemented the bill could rise to £5bn, Mr Howard said.

Howard: fears over growth

The system of economic impact audits or *fiches d'impacte* in use in the European Commission to assess the effect of proposed legislation offers little hope of reducing the impact of the social action plan, the conference was told.

Mr Heinrich von Moltke, head of the the directorate general for enterprise within the EC, said the system of economic impact audits had been modified to concentrate only on those legislative proposals which would have a significant impact on business.

However, the enterprise directorate supported the broad objectives of the social charter, he told the conference. The directorate's role is to ensure that harmonisation is achieved on the best terms for business."

Trippier criticises EC 'climate of confusion'

By John Hunt, Environment Correspondnet

A CLIMATE of "conflict and confusion" has been created by Mr Carlo Ripa di Meana, the EC environment commissioner, in asking the British government to stop building the Channel tunnel rail link and six other large projects, Mr David Trippier, minister of state for the environment, said last night

He accused the commissioner of using the row over environmental impact assessments for large projects of this kind as "yet another club to beat a member state into environmental submission."

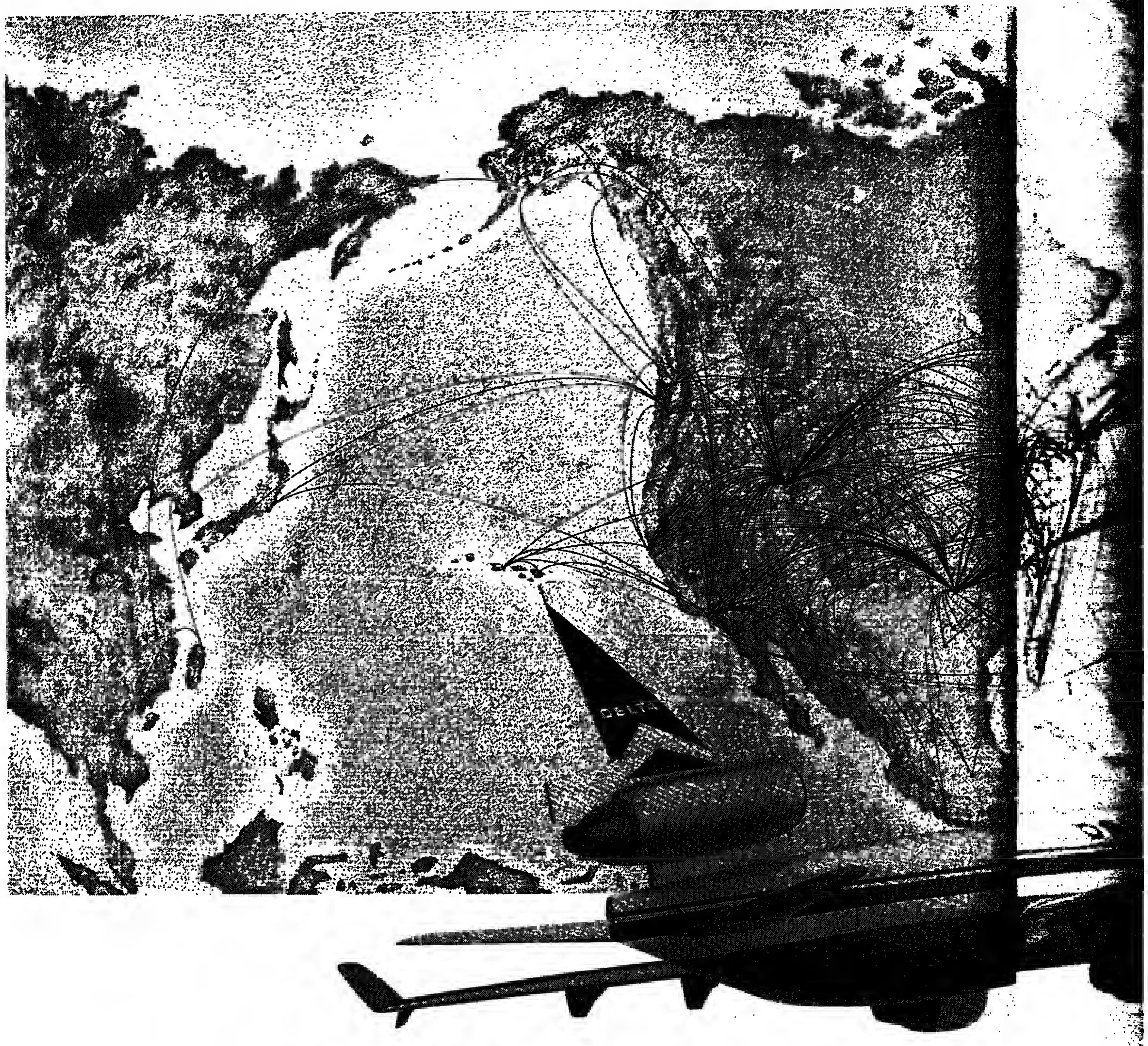
Although the government disagreed with the Commission's view that Britain's procedures on environmental impact assessments did not comply with the EC directive, he had every expectation that the matter would be resolved to the satisfaction of the Commission and the UK.

Speaking to the Institute of Environmental Assessment conference in London, Mr Trippier said that the UK was subject to tougher scrutiny of its environmental performance than any other member state. This was because Britain's environmentalists made more complaints to the Brussels Commissioo than the rest of the Community countries put together.

Mr Trippier said, however, that some amendments to UK regulations would be made next year to improve impact assessments. His department would be issuing guidance on this and a study was being carried out

He rejected suggestions that Britain should introduce "rigid quality control" of impact assessments in the same way as the Netherlands Environmental Impact Assessment Commission had done. It was, be said, impossible to lay down hard and fast rules

Welcome to the new world



From left, Delta Flight Attendant Bonita Caringola, First Officer Timothy Therrell, Captain Larry Bacon and Flight Attendant Stephanie Allen.

On November 1, the world will become smaller, and the atmosphere warmer as Delta Air Lines begins greatly expanded operations across Europe, the Middle East and Asia.

With new transatlantic nonstops and the establishment of a European hub in Frankfurt, Delta will begin flying from Austria, Belgium, Czechoslovakia, Finland, Greece, Hungary, India, Israel, Italy, Norway, Poland, Portugal, Romania, the Soviet Union, Sweden, Switzerland and Turkey.

All in addition to our existing service from England, Ireland, France, Germany, Denmark and the Netherlands.

Wherever we fly, Delta is dedicated to bringing travellers the best service in the sky. Service that's more convenient, and gives you more travel choices.

Tendered with the special warmth and professionalism the people of Delta are known for.

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First across the U.S.A., first around the world.

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And you enjoy more travel choices, because the Delta network serves more cities within the U.S. than any other airline. In fact, Delta's system is first in flights worldwide, with more than 4800 flights a day to over 300 cities in 33 countries around the globe.

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As important as schedule and convenience are to travellers, they're just part of the reason for you to choose to fly with us.

Delta has the youngest and most modern commercial aviation fleet of its size in the world. As well as one of the most generous frequent flyer programs. And our emphasis on service has earned Delta the best record of passenger satisfaction among major U.S. airlines for 17 straight years.*

Have your Travel Agent book you on Delta. Or call us direct. And let us welcome you to Delta's world.

DELTA AIR LINES
•We Love To Fly And It Shows•

New routes subject to government approval. Start date of service may vary from November 1-5. *Based on consumer complaint statistics compiled by the U.S. Department of Transportation. © Delta Air Lines, 1991.

Satellite phones set for sky wars

By Hugo Dixon

Satellite telephones hit the public consciousness early this year when journalists were heard giving accounts of the Gulf war from their hotel bedrooms in Baghdad. But, for all their ability to operate in far-flung corners of the earth, the current generation of satellite phones will oever appeal to the mass market: the cost of using them is about $10 (£6) a minute and the phones themselves come in a hefty briefcase-sized container.

The battle, however, has now started to produce the next generation of phones which should be about the same size as a normal cellular hand portable and cost perhaps $1 a minute to use by the end of the century. Four differeot groups have entered the fray.

Motorola, the US electronics manufacturer, has the most advanced venture. Its Iridium subsidiary plans to put up 77 mini-satellites encircling the globe at a cost of $3.4bn.

The differeoce between Iridium's satellites and most communications satellites is that they will be low-orbit satellites – placed only 413 nautical miles above the earth's surface compared with the normal 22,000 miles. The disadvantage is that they will move their position in relation to the earth's surface – they will not be geostationary – but the advantage is that much less power will be required to communicate, allowing the handsets to be smaller.

When Motorola announced its plan last year, it thought it had signed up the International Maritime Satellite organisation, which provides the existing satellite phone service, as a partoer. But Inmarsat, owned by 65 of the world's telephone companies, last month unveiled its own scheme which involves a mixture of low-orbit and geostationary satellites.

The other groups are Globalstar – consisting of Alcatel and Aerospatiale of France, Italy's Alenia and Loral Space Systems of the US – and Hughes Aircraft of the US.

Not to be thrown off balance by the competition, Iridium this month strengthened its management team by hiring Robert Kinzie, currently director of strategic planning for the International Telecommunications Satellite Organisation, as chairman. Motorola has also signed a memorandum of understanding with Lockheed of the US and Matra Marconi, the Anglo-French space venture, to help it develop the technology.

Most importantly, it is trying to raise $175m in a private placement of its shares by November 15. The main buyers are expected to be international telecommunications carriers and Motorola itself. The carriers would also eventually market the service in their countries, taking a share of the revenue in return.

The outcome of this private placement may determine the battle between Motorola and its rivals. If it is successful, Motorola will have won over to its side some of Inmarsat's main shareholders. It is unlikely that they will want to back both projects.

Moreover, the support of the carriers will be essential if Iridium is to clear the host of regulatory barriers that stand in its way. First, it wants next year's World Administrative Radio Conference to confirm which frequencies would be allocated for this type of service. Second, it wants a licence to operate in each country of the world. If the carriers – which are still mostly government-owned – were fully on board, it would be easier to secure these.

Two main doubts remain about Iridium and its rivals.

Will they be technically feasible in the timeframe being discussed? This question relates particularly to Iridium, whose scheme requires calls to be passed from one satellite to another through the atmosphere before reaching earth.

Will they be a commercial success? The snag is that in the biggest telecommunications markets – the US, Europe and Japan – there is unlikely to be mnch demand for satellite phones.

Iridium talks about providing services in places like Africa, where there is unlikely to be enough demand to build cellular systems. It is also clear that journalists in 1998 covering a coup in Tibet would find the service an improvement on today's satellite phones. Would this, though, constitute enough demand to justify 77 satellites?

Dave Madden describes how to assess whether your computers are capable of doing the job

A test of strength

Investing in a computer system on the basis of the manufacturer's benchmark statistics is a bit like buying a car after watching its rev counter. Yet, says Andrew Hubbard, director of systems performance consultancy X/team, that is exactly the predicament now facing IT managers.

Increasingly, organisations from BP to the Inland Revenue are committing their critical commercial applications to open environments, typically based oo Unix systems. But the fact is that while IT departments have a generation of experience specifying mainframe systems to support these applications, they know next to nothing aboot configuring open architectures.

Assessing the probable performance of a new Unix computer in anything like a realistic environment is not straightforward – but it is imperative.

"What size of machine do I need? Aod from whom? The whole point is that there is a multiplicity of hardware suppliers," says Robert Burford, director of systems house Data Logic. There are as many variables in choosiog software environments too.

Paradoxically, the basic logic of open systems – greater choice and flexibility – complicates the process and moves responsibility for sizing and specifying systems on to the buyer.

In complex multi-vendor environments it is much more difficult to point the finger at your suppliers if your applications are not delivering the performance you need.

Hardware makers supply a profusion of "independently verified" performance indicators or benchmarks. This wealth of statistics is, perhaps, part of the problem. They help you to compare like with like, but they do not help you to assess how your own application will perform. Even the TPC-B benchmark, based on a notional banking transaction, is no indicator for the real world, says Burford. "Live transactions are often much more complicated," he says.

So short of combing the world for a real role model – and there are very few big commercial multi-user Unix systems yet – how can you minimise your investment risk?

Neither hardware nor database vendors – and increasingly it is the database that is chosen first – are oblivious to the issue. The likes of Hewlett-Packard, Pyramid and Sequent all have dedicated benchmarking and technical consultancy teams who do nothing but help to specify systems and migrate applications – often in support of their respective sales teams.

So, for example, HP's systems migration and performance centre, based at Cheadle, Greater Manchester, routinely helps potential customers to simulate their software on different HP platforms.

But, says Burford, useful as that is, it is only part of the solution. This is not, he argues, just a matter of avoiding overinvestment – vendors are as likely to believe their own performance propaganda and underspecify systems so they can oversell – rather it is about finding the system to do your job.

He points to a sophisticated and sobering beochmarking exercise conducted by Data Logic for The Performing Rights Society, the organisation which protects copyright in the arts, where all the bidders offered systems three times too small for the application performance the society demanded. If this had not been revealed hy the benchmarking process, that performance could not have been improved by simply "throwing more hardware at it".

The PRS is moving its on-line membership systems from an ICL mainframe to an open environment. Initially it chose implementation software – the 4GL UnifAce, and a relational database from Sybase – and Pyramid hardware as a development system. Only when the physical design was under way, and there was something to benchmark, did it begin to look for a production platform.

Eventually it shortlisted HP and Pyramid from six suppliers to run detailed application simulations on their preferred configurations – beochmarks designed specifically to test load and transaction rates. PRS, Data Logic, Sybase, and not least HP and Pyramid were somewhat surprised, says Burford, to find that, despite their impressive paper performance, in reality neither offering could meet PRS's operational requirements – managing just four transactions per second when PRS needed 14.

The npshot was a second benchmark exercise incorporating design changes and a re-implementation of the software. Ultimately PRS settled for a bigger Pyramid engine.

Bot without this complex and admittedly expensive exercise, Burford argues, the PRS system performance could not have been salvaged. Neither vendor could offer a single central processor unit that was up to the application as originally conceived.

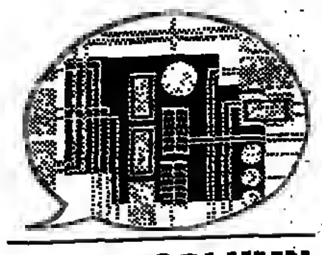
The lessons are clear.

- The exercise emphasises the need to quantify systems performance before choosing a production hardware environment and committing to a software implementation.
- Extrapolating from someone else's benchmark results is unsafe.
- Yon cannot rely on fine tuning an application or adding hardware to give yoo the performance required.
- There is no alternative to including a formal application specific benchmark at an early stage in development plans.

Andrew Hnbbard and X/team have come to the same conclusion: "In the open world your problems are your own. The hardware is a commodity and vendors do not share the risk as they did in proprietary environments – so you have to get it right yourself," he says. "A lot of people need advice and have no where to turn."

The business of genome mapping

By John Galloway



GUEST COLUMN

The international human genome mapping project (HGMP), possibly the largest single piece of biological research in history, represents the pinnacle of genetic science. But is the project significant for the business community?

Two years ago Margaret Thatcher gave her seal of approval to a request by the Medical Research Council (MRC) for extra money to finance a stand-alone British attack on the human genome. She believed that genes mean money; that mapping the genome was not simply of academic and scientific interest hut of commercial importance.

The HGMP Resource Centre, at Harrow, played bost recently to British pharmaceutical and biotechnology companies including Roche, Glaxo, SmithKline Beecham, Wellcome and Celltech to discuss the possibilities of commercial exploitation. The centre's aim is to stimulate and serve the British community of "gene mappers" hy giving them access to the best technology.

So far the centre has served only the scientific community; its present user base of 700 scientific groups has far exceeded original expectations. Now the aim is to expand the user base into the commercial sector.

The core of the operation is the centre's strategy for producing the genome map. The intention is not to provide detailed data for the whole of the genome by sequencing, which is the American strategy. Rather it is to identify genes and find out where they are within the genome.

The reasons for doing this are good: it is both cheaper and quicker. Only 2 to 3 per cent of the DNA in the genome is genes and even then they do not seem to be evenly distributed. The idea is to be able to provide the minimum information about each gene to allow it to be recognised or seen to be interesting to a particular research group. If you are a nser then yon agree to pnt informatioo back into the centre as well as taking it out: your own interesting genes form part of the data bank.

There might be a commercial problem with data banks built up in this way. But those companies in attendance at the research ceotre seemed to feel that the availability of a commercially useful gene in the data bank did not matter, unless it could be linked to a particular company with an existing interest.

This was a refreshing attitude, particularly in the light of a row brewing in the US about the pateoting of genes.

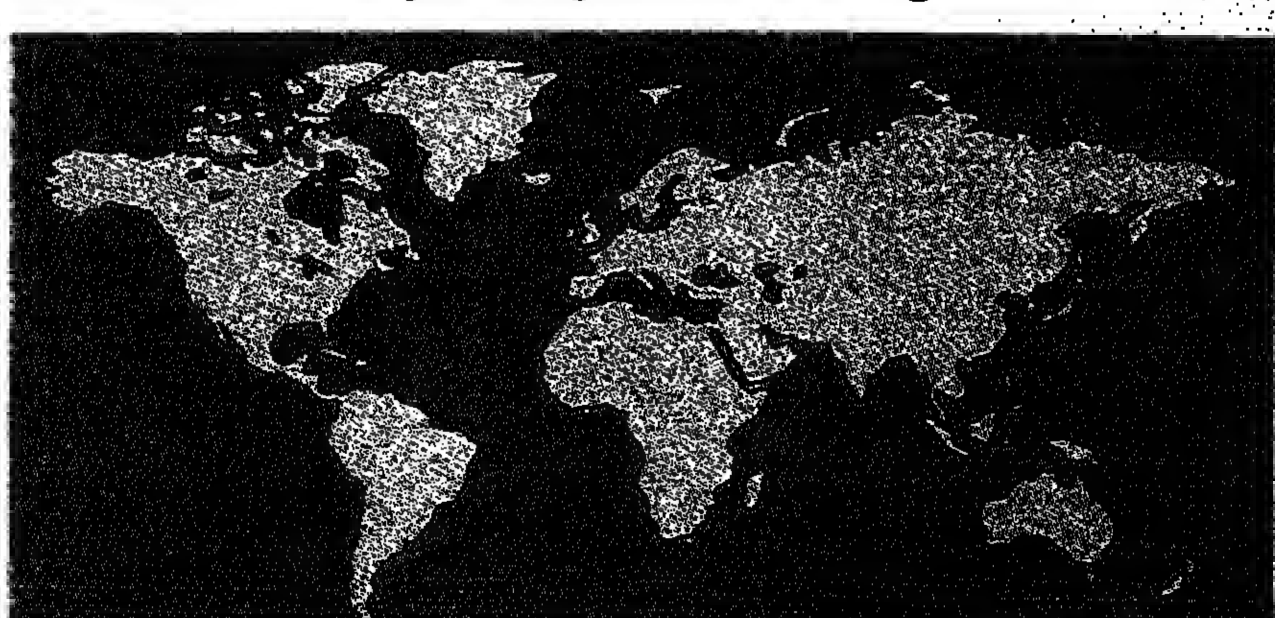
In the past patenting has not been an issue. Scientists concentrated on finding and characterising faulty genes associated with particular inherited diseases, such as cystic fibrosis. An enormous amount of labour was expended on each and the genes satisfied the three cardinal requirements for a patent: novelty, utility and "non-obviousness".

However in June, Craig Venter, a research geneticist at the US National Institutes of Health, filed simultaneous patents for 337 genes which he had characterised in little more than a few months.

Opinion in the US is divided on the propriety of what Venter has done. Some believe it is likely to jeopardise the international genome mapping project.

What is going on in the US is of particular interest in Britain because the approach to genome mapping in the UK is similar to Venter's hut without the blanket patenting. The object is to huild up a library of human genes that can he used by the research community or by the pharmaceutical or biotech industries.

Industrial interest might well be turned off if the genes have already been patented so early on in the process. How the problem will be resolved remains to be seen. But the possibility that the UK would have to take defensive retaliatory action is a real one.



FT LAW REPORTS

Gafta abandonment decision is an award

CARGILL SRL, MILAN v P KADINOPOLOUS SA
House of Lords
(Lord Keith of Kinkel, Lord Roskill, Lord Templeman, Lord Oliver of Aylmerton and Lord Goff of Chieveley):
October 23 1991

A GAFTA arbitrator's decision declining to exercise his discretion to determine that a claim has not been abandoned, is an "award" and may be the subject of an appeal to Board of Appeal.

The House of Lords so held when dismissing an appeal by Cargill SRL, Milan, buyers of wheat, from a Court of Appeal decision that the Board of Appeal of the Grain and Feed Trade Association (Gafta) had jurisdictioo to hear an appeal from an arbitrator's decision not to exercise his discretion to *allow* a *claim by the sellers*, P Kadinopoulos SA, to proceed.

LORD GOFF said that Cargill were buyers of a cargo of wheat from Kadinopoulos. The contract was on Gafta Form 64.

On arrival of the cargo in Sicily, the buyers rejected it on the ground that its radioactivity levels were unacceptable to the Italian authorities.

The buyers gave notice of default and on September 29 1986 the sellers claimed arbitration. An arbitrator was appointed.

Paragraph 2.8 of the Arbitration Rules provided that if neither party submitted documentary evidence or submissions to the arbitrator within a year from date of appointment, the *claim to arbitration should be* deemed to have lapsed unless renewed by further claim before the expiry date.

In its second sentence paragraph 2.8 provided that in the event of failure to renew a claim, it should be deemed to be withdrawn and abandoned "unless the arbitrator(s) shall in his/their absolute discretion otherwise determine".

The sellers failed to submit documentary evidence or submissions by September 29 1987. The claim was not renewed by a further claim to arbitration. Accordingly it was deemed to be withdrawn and abandooed unless the arbitrator in his *absolute* discretion determined *otherwise*.

On February 13 1989 the arbitrator published what he called his "interim award".

He found that there was no reason to exercise the absolnte discretion vested in him, and awarded that the claim was deemed to have "lapsed, been withdrawn and abandoned, as provided for in rule 2.8".

He said that in the event that an appeal against "this award" was not made as provided for in rule 8 of the Arbitration Rules, the award should become final.

The sellers then appealed to a Gafta Board of Appeal invoking rule 8.2, which provided that if a party were dissatisfied with an "arbitration award", a right of appeal lay to the Board *of Appeal*.

The Board of Appeal, holding that it had jurisdiction, allowed the appeal, deciding in the exercise of its own discretion that the arbitration should proceed. The buyers appealed to the High Court. The appeal was dismissed. The buyers then appealed to the Court of Appeal, which dismissed the appeal. The House granted leave to appeal from that decision.

Rule 2 of the Arbitration Rules was concerned with procedure for claiming arbitration and time limits. Rule 2.7 on which the buyers relied provided that in the event of noncompliance with the preceding *provisions* of the rule, "claims shall be deemed to be waived and absolutely barred, unless the arbitrator(s) shall in his/their absolute discretion, otherwise determine".

It further provided that if the arbitrator did not exercise his discretion to admit a claim "then the Board of Appeal, on appeal, shall have the power in its absolnte discretion, to determine otherwise . . ."

Rule 10.2 provided "an appeal involves a new bearing at which fresh evidence may be submitted . . . *the Board of* Appeal may: (a) vary an award; (b) *correct any errors* . . ."

On the present appeal the buyers submitted first that the arbitrator's decision not to exercise his discretion to deter*mine that the claim was not* deemed withdrawn and abandoned, was not an arbitration award, so that no right of appeal lay to a board of appeal under rule 8.2.

An arbitrator called upon to exercise his discretion under rule 2.8 (and rule 2.7) had logically to take two steps.

First, be bad to decide whether the circumstances were such that he was called upon to exercise his discretion, ie, whether (in the case of rule 2.7) there had been non-compliance with the relevant previous provisions of the rule, or whether (in the case of rule 2.8) there had been failure to submit documentary evidence or *submissions in due time and* no renewal of the claim.

That had to be established as a basis for the exercise of the discretion. Next, the arbitratnr had to decide how be should exercise his discretion.

In the present case the first matter was not in dispute; and the arbitrator decided in the exercise of his discretion not to allow the matter to proceed. He accordingly held that the claim was deemed to have been withdrawn and abandoned.

That *decision* was properly made the subject of an award.

It conclusively determined *that the arbitration was* at an end and so finally disposed of the matters which had been submitted to arbitration.

Such a determination was *properly* the *subject matter* of an award, carrying with it the usual conseqnences which flowed from an award – in particular, it rendered the arbitrator *functus officio* and prevented the unsuccessful claimant from re-arbitrating or litigating the identical claim in the future.

The arbitrator's decision was properly made the subject matter of an award. It would be unrealistic to bold otherwise. His determination, although it did not amount to a decision on the merits of the claim, did finally dispose of the matters in dispnte because it finally determined that the claim was deemed to have been withdrawn and abandoned and so could no longer be pursued.

The *buyers' second* submission was that, assuming the decision did constitute an award, there was jurisdiction in the Board of Appeal to hear an appeal under rule 8.2.

Prima facie there was, because rule 8.2 provided that, if a party was dissatisfied with an arbitration award, a right of appeal should lie.

But the buyers submitted there were two reasons why that was not so.

First, they submitted that rule 2.8 should be read in the light of rule 2.7. They said that whereas under rule 2.7 express provision was made for an appeal to the Board of Appeal, no such provision was to be *found* in rule 2.8, *from which* it was to be inferred that there was no right of appeal against an award made under rule 2.8.

That was not accepted. The second sentence of rule 2.7 did not confer a right of appeal. Consistently with rule 8.2, it presupposed a right to appeal. That construction of the second sentence of rule 2.7 was consistent both with the natural meaning of the words, and with rule 8.2.

There was nothing to be inferred from the absence of express recognition, in rule 2.8, of the existence of a right to appeal.

It would be surprising that a right of appeal should be implicitly excluded under rule 2.8, when it was expressly recognised in the directly comparable situation under rule 2.7.

Next, the buyers submitted that the point at issne was, under the Rules, a matter for the discretion of the arbitrator alone, and that the Board of Appeal had no power to substitute its discretion for that of the arbitrator.

That was not accepted.

Rule 10.2 was in very wide terms. An appeal involved a new hearing, and the Board of Appeal was empowered to confirm, vary, amend or set-aside.

Given that in the present case the arbitrator's decision was properly made in the form of an award, that under rule 8.2 a party bad a right to appeal if dissatisfied with an award, and that the appeal took the form of a re-hearing, it would be surprising if rule 10.2 did not confer on the Board of Appeal jurisdiction to snbstitute its own discretion for that of the arbitrator.

The Board of Appeal's jurisdiction to vary an award was wide enough to embrace that power.

The appeal was dismissed with costs.

Their lordships agreed.

For the buyers: Bernard Rix QC and Christopher C Russell (Sinclair Roche & Temperley)
For the sellers: Mark Havelock-Allen (Hill Taylor Dickinson)

Rachel Davies
Barrister

MANAGEMENT: The Growing Business

When the message is better by design

Charles Batchelor on packaging the right corporate image

Corporate Relocations, a west London agency which helps companies to move their executives around the world, took design seriously from the outset. It spent more than £3,500 – its largest single outlay – on designing its logo and brochures when it started up nearly five years ago and has just spent a further £6,500 on an update.

The company logo shows a pattern of nine squares which appear to tumble together until on the final page of the brochure, they are neatly arranged as a larger block. This is intended to convey the idea that Corporate Locations is the company to bring order to the confusion that often accompanies relocation. "I don't think customers are consciously aware of this message but it is reinforced by the text," says Paul Izard of Walker Izard, the consultancy which did the work.

One of the new features of the redesign is the addition of a striking saffron yellow to the cooler greens and whites of the previous colour scheme. The idea of the saffron yellow is to impart a warmer feel to the company's presentation, says Amanda Pelham Burn, managing director.

When Corporate Locations started up in a small rented office just over four years ago, Walker Izard recommended a staid professional style for its brochures to convey the impression to customers that they were dealing with an old-established business. Now that it is more established it can afford to adopt a more innovative style.

It is difficult to quantify the impact of Corporate Locations' commitment to good design but Pelham Burn believes it has paid for itself "over and over again". The company now has four full-timers and 10 freelance staff in the UK and has licenced its format to associates in five continental European countries.

Pelham Burn had a good reason for calling in a design specialist to create a corporate image for her business. "When you can't sell face to face you really rely on that first impression when the prospective customer pulls something out of an envelope."

But an awareness of the importance of design is unusual among small companies where managers are frequently put off by the cost or a belief that design is an optional extra which has no real effect on the business.

"We get quite a lot of people starting up in business who come to us but when they realise how much it will cost, they go round the corner to one of the quick print shops," says Izard, who estimates a start-up company would need to spend about £3,000 on design consultancy.

The design option of the Enterprise Initiative, a government programme to help small- and medium-sized companies meet the cost of a consultant, has met with only moderate success. Design is one of six options available under the scheme but it has accounted for just 3,315 completed projects, or 10 per cent of those completed over the past four years. Options such as marketing and quality have proved far more popular.

Colin Mynott, industry director at the Design Council, which seeks to promote design, believes companies have been carried away with the idea that attention to quality will solve all of their problems. But quality does not guarantee that a product or service will include all the features which make it desirable to the customer. That is the role of design, he says.

Managers also overlook the cost benefits which can result from design. A survey* of more than 220 manufacturing companies which undertook product, engineering or graphic design projects under the Enterprise Initiative showed that 90 per cent of projects had made a profit. The average payback period was 15 months from the product launch. Cost savings in the area of product design (to be covered in a later article) are more easily measurable but the benefits of good design in the areas of corporate image, graphics and packaging are no less real, consultants claim.

Much of the incomprehension about design results from the fact that small businesses do not know how to buy in design skills. "The process of appointing a consultant and managing a design project is not well understood," says Vicky Sargent, chief executive of the Design Business Association, which represents 200 consultancies. "A lot of companies think it is just a question of getting in a designer to do a few drawings," says Sargent. "But the client must also contribute by providing a proper brief for the consultant and by providing information."

When M S George, a London-based supplier of household and cleaning products, decided it needed to redesign the packaging of its main product, an air deodoriser called Neutradol, it was called upon to make a major effort.

"Our input amounted to an enormous number of hours," recalls Jane Davis, a director.

In 1988, Neutradol had a well-established market position but six new rivals had been launched in the preceding two years. They were starting to steal shelf space and a big supermarket threatened to stop stocking the product unless the packaging was improved.

M S George, which now has sales of more than £3m and a workforce of 10 (all manufacturing is sub-contracted out), called in Siebert Head, a consultancy specialising in packaging design, under the Enterprise Initiative scheme.

Siebert Head's response was to design a red, white and blue pack to convey a clean, fresh image. The pack was made slightly larger than the pot inside (though within consumer protection guidelines) to emphasis that Neutradol was a concentrated, long-lasting product. The pump-action packs were clearly labelled as being "safe, non-aerosol" to meet "green" concerns. "Packaging design is not just a question of pretty pictures," says John Parsons, managing director of Siebert Head. "The pack has to identify and describe the product, convey the brand name and protect what is inside."

Within three months of the relaunch in February 1989, Neutradol achieved a 40 per cent increase in distribution and had been taken on by large store chains such as Asda, Tesco and Gateway. It has since significantly increased its market share.

Companies can avoid the problems associated with using consultants by taking a number of simple steps, the Design Business Association suggests. The customer should:

- *Prepare as specific a brief as possible* for the designer. As well as asking for the consultant to design a brochure or develop a new range of products it should, where possible, set targets for increasing sales, increasing *market share or reducing costs.*
- Consult professional organisations or friends who have used design to see which consultancies are experienced in a particular field. Briefing consultants and assessing their proposals takes time so they should not shortlist more than three or four.
- Give the consultancy an idea of the size of budget at its disposal and agree on the cost. Design costs are composed of fees, which are time-related, expenses and charges for items such as presentations, mock-ups and the bought-in services of market researchers or engineers. The client should make sure all the consultants quote in the same fashion so their offers are comparable.
- Evaluate the effectiveness of the project. This means monitoring to see whether targets set down in the brief have been achieved.

But even if a company follows these guidelines, design remains a tricky area. Do saffron yellow brochures and chunky boxes really sell a corporate relocation service or tubs of deodoriser? Sober businessmen and women are rightly wary of being swept away by design industry hype though there is a growing number of companies which is convinced that design works.

**Benefits and Costs of Investment in Design. Design Innovation Group, Faculty of Technology, The Open University, Milton Keynes, MK7 6AA. Tel. 0908 653556. £20. A four-page management overview, Profits by Design, is also available from the Design Council. Free.*

Contact: The Design Council. Tel 071 839 8000; The Design Business Association. Tel. 071 631 1510.

Amanda Pelham Burn: believes her company's commitment to good design has paid for itself "over and over again" — Colin Beere

Drawing the line under expenses

By Charles Batchelor

Travel and entertainment expenses form a sufficiently large part of most companies' costs to warrant careful attention, according to the Director's Guide to Travel Management.*

The costs of travel and entertainment typically form between 3 and 6 per cent of a company's operating costs and are the third largest area of expenditure after personnel and systems.

Small businesses may feel they have little need for a formal policy because they have few regular travellers, few employees with authority to approve expenses and a company culture which eschews *formal written rules.*

But small firms can achieve the same percentage savings as large ones while a formal policy can force the company to take a more detailed and strategic view of expenses management, the guide argues. An agreed policy also helps keep costs under control as the business grows.

The guides suggests six stages in making a travel and expenses policy work:

- Selling the idea. The most effective way to gain top management support is to carry out an audit of expense claims and travel and entertainment spending. This will give a good picture of current travel practices, areas of waste or abuse and opportunities for cost savings.

Managers must however be asked about their priorities. Many companies want to make savings on travel costs but are not willing to make any sacrifices to achieve them. Such indecision can make any travel policy unworkable.

- Writing the policy. Feedback must be gained from frequent travellers, the company's main travel suppliers, secretaries who book travel and managers who authorise travel expenditure. Do not, however, form all these people into a committee since decisions are unlikely. The written policy should explain not only the directives on, for example, the class of hotel but also the procedures involved: how to book the hotel.
- Communicating the policy. If a traveller is not aware that he should use a chosen travel agent to ensure a cost saving, then he cannot be held responsible if the saving is not achieved. A written copy of the policy should go to all travellers, their managers, their secretaries and to travel agents. Agents cannot be expected to book executives into a particular class of hotel if they do not have a copy of the policy.
- Monitoring. This can be done when flights and hotels are booked, when invoices are received, through management information received from travel agents or corporate card companies or on the submission of expenses. The earlier in the process the monitoring occurs the more likely the policy will be followed and savings made.
- Enforcement. Too many companies are afraid of enforcing guidelines. This allows *travellers to argue that the* uncertainties of travel make the rules too restrictive.

The policy can overcome this by acknowledging that abnormal circumstances may arise; by setting out what should happen in normal circumstances but by creating mechanisms for approval and explanation when exceptional events occur.

If the policy is ignored, senior managers can ask for further explanation or support for questionable expenses, delay reimbursement, refuse to reimburse unauthorised expenses or remove company payment privileges such as cash advances or charge cards.

- Review. The travel market place may change; purchasing agreements may be revised; and the company's circumstances may alter. New marketing schemes such as frequent flyer programmes may need to be incorporated.

The guide was written by the Institute of Directors (IOD) in collaboration with American Express. However, like others in the IOD series, this guide inevitably raises the question of whether the reader is really receiving disinterested advice on the services provided by the co-sponsor.

**Directors Publications Ltd, Mountbarrow House, 6-20 Elizabeth Street, London SW1W 9RB. Tel. 071 730 6060. 78 pages. £9.95.*

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FT SURVEYS

ARTS

'Les Poitrails': in his smaller paintings and studies, notably of horses, Géricault used paint as it had never been used before

A Romantic, and yet so modern

William Packer considers the work of Géricault, currently at the Grand Palais, Paris

With the bicentennial exhibition of the life's work of Théodore Géricault which has just opened at the Grand Palais in Paris (until January 6), the "Réunion des Musées Nationaux" continues the spectacular sequence of definitive individual studies of the great masters in the history of French painting. What this grand sweep across the centuries – Claude, Watteau or David; Manet, Degas, Gauguin, Seurat – has already made quite clear is that the old art-historical certainties and simplicities are by no means so sure and simple as they once seemed.

Art is not just an history of challenge, innovation, rejection and start again. Great artists do, of course, make original contributions, radical changes, controversial departures, but they may only do so within a larger informing context. If an artist influences his successors, those influenced must equally look back to him – just as he did to his own predecessors. There are historic moments of shift and change, but through all the tensions the seamless *cultural fabric still holds.*

Géricault was the child of just such a time, caught on the cusp between the Neo-classical and the Romantic, a young man of the Consulate and the Empire, when the Roman idealism of the Revolution was being traduced by the headier, more worldly and personal claims of "la Gloire", of "la Patrie", and of Napoleonic ambition. Born in 1791 and dead of the complications of a riding accident in 1824 at the age of 33, he would seem to be the type of the Romantic artist such as his near contemporaries Byron, Shelley, Keats: brilliant, doomed and dead before his time.

Unlike Byron, he did not have the luck to enjoy his fame. He failed three times to win the Prix de Rome, showed little and was as little known. His huge "Raft of the Medusa", too large to be moved from the Louvre for this show, attracted little notice when shown at the Salon of 1819, acquiring its Romantic *réclame* only by virtue of posthumous celebrity. Régis Michel, one of the show's curators, addresses the problem in his introduction to the exhaustive catalogue: "Géricault is still an artist *maudit*. Undoubtedly the first of the moderns... he remains, for the wider public, an unknown celebrity, the prisoner of his myth."

I am not so sure about that "undoubtedly", for in any period of transition just such a case can be made: Goya, *Turner, Constable, Delacroix all come* readily to mind. What is true is that one finds oneself casting forward to make the most unexpected comparisons. To think of Manet in the rapid notation of a horse's head and bridle, and from Manet back to Goya, may not be so odd, but of *Cézanne apropos* a water-colour oude; or of late Derain with a portrait of young Alfred Dedreux; or of Balthus with the extraordinary painting of the child, Louise Vernet, with her cat on her lap, does take one a little aback.

Géricault would hardly have been the painter he was without the Beaux Arts tradition of his studies, dominated as it was then by David and his followers, especially Baron Gros. To look back to the old masters was to see them through neo-classical eyes, and if the maturer Géricault was never neo-classical, he carried with him much of the idealism and the ambition to work on the grandest, most public scale.

His subjects were not those of high-minded Roman history, but would seek to edify or warn. He looked to the modern world to draw his moral, and what he would see was often troubled, disconcerting, elegiac. As a Romantic, his art is shot through with a noble resignation worthy of any Roman and neo-classicist. His cavalrymen are wounded in the heat of battle, noble in their distress. If this is "la Gloire", so *be it, a qualified and infinitely* human kind of glory. As for the "Raft of the Medusa", the great canvas is the historic morality, but the studies and sketches are the more questioning, teasing around ideas of what might have happened in that ghastly shipwreck.

It is in these large, grand compositions, that we see Géricault the Romantic as the child of his age, touched by the neo-classicism that later artists such as Delacroix and Courbet would escape. His paradox is that, even so, he should seem so modern. That modernism has two aspects, one *imaginative*, one *technical*. In his drawings and in the smaller paintings and studies, notably of horses, he brings a liveliness to the image that celebrates the physical surface and stuff of the paint, and the act of painting, as never before. It is not that earlier painters did not paint wonderfully, but that to paint for a quality of line and surface alone, irrespective of the image, seems very new and strange.

More important still is his realism. Again he was not the first (Goya, Velazquez, Caravaggio), but to look with so unblinking an eye at things just as they were – a horse's backside, a severed head – is as radical an approach now as it was then. There is no prettifying or glossing-over as an expedient for making art, nor any *voyeurism. He is simply looking and* recording. The four late portraits that conclude this show, of inmates of the asylum – two men and two old women – are among the greatest portraits ever painted for their psychological intensity; and, for all the morbidity of the subject, among the most beautiful.

L'assedio de Calais

THEATRE ROYAL, WEXFORD

In the small harbour town of Wexford in the South-East corner of Ireland the prize catch is a rare fish indeed: an unknown operatic masterpiece. This autumn opera festival prides itself on reviving operas that have been undeservedly neglected and once in a while it comes upon a piece which adds significantly to our knowledge.

The first of the three operas this year was one of those. Donizetti has long been a happy hunting-ground for those with a passion for forgotten operas. But it is invariably the works with a big starring role, intended for some prima donna or other, that have been given the most attention. *L'assedio di Calais*, written in 1836, is different: this is a serious music drama which keeps its eye firmly on the issues.

The plot concerns the the siege of Calais in 1347, when Edward III's terms of surrender demanded that six of the citizens be handed over for execution. As one would expect of an early 19th-century opera, the *story is seen not from a political viewpoint but from a* human one. The important thing is to bring alive the opera's feelings of despair and sacrifice as movingly as possible and that is what Francesca Zambello has done in a production which lets the opera speak to us with gravity on its own terms.

Her staging, designed by Alison Chitty and strikingly well-lit by Michael Calf, is stark and simple. The warring sides are distinguished by aggressive colour-coding, red for the English, blue for the French, and the populace is armed with medieval banners and poles; while the contrasting scenes of familial tenderness bring a touching intimacy and calm.

The opening of the second act, in which husband and wife consola each other in the besieged city, is the gem of the score: a duet for soprano and mezzo (for Aurelio is a trousers role) of the kind that audiences at bel canto operas always adore. Ann Panagulias, fresh from her enthralling Natasha in San Francisco's *War and Peace*, here proved herself a first-rate Donizetti soprano as Eleanora and Alison Browner was a marvellous Aurelio, warm, lyrical, effortlessly fluent.

Aside from the wish that singers might sing quietly more often in Wexford's excellent acoustics, the cast was a good one. Victor Ledbetter brought *a strong baritone to* the role of Enstachio, the mayor of Calais, Kurt Ollmann cut a striking figure as the English King and Elizabeth Woollett made her mark as his wife Isabella, though I was unsure why she should look like a Mohican.

Evelino Pidò led the National Symphony Orchestra in an exciting performance, the music played with Italianate brio, the drama kept on the boil. Wexford chose to omit the ballet, which was a wise decision as we found out the next night, and Donizetti in any case came to prefer the work this way. The extra last solo for Eleanora, however, was included and Miss Panagulias delivered it with panache and a rousing final high E flat.

It hardly seems right that an opera ignored for a century and a half should leave its audience so elated. Wexford has found a winner and Donizetti's reputation as a composer of serious operas stands measurably enhanced.

Richard Fairman

Alison Browner, left, as Aurelio and Ann Panagulias, right, as Eleanora

The Invisible Man

THEATRE ROYAL, STRATFORD EAST

H.G. Wells's *The Invisible Man*, written in 1897, has spawned a clutch of film treatments and sequels, but never a stage play. Now at the Theatre Royal Stratford East, Ken Hill has fashioned and directs a vastly enjoyable and rollicking version of the original spine-tingler. It should be subtitled, "Constable, arrest that shirt!"

At first, the action seems impossible on stage: an invisible man appears (bandaged and sunglassed) in an English village; the web-footed provincials take a dim view of transparency, and make him feel unwanted; he vows revenge, and hi-jinks ensue.

A love-interest blossoms with the local suffragette teacher, although the see-through *lover admits:* "Yoo must understand that this makes relationships difficult." After a reign of invisible terror and a tense climax, the villages trap and kill him, and he becomes visible for the first time: "Funny, he looks just the same as everyone else."

The tact of the production is superb, for it manages to balance comedy and mystery without sacrificing either. The direction and tone are everything. Hill sets the story as a series of music-hall scenes unofficially compèred by Brian Murphy, who jokes constantly with the audience to keep things from getting too serious: "That got you going, madam" (after a actor stumbles on having been stripped of his clothes by the invisible man).

The evening does not rely on expensive gadgetry but on good spontaneous acting and simple effects. The trickery is never over-ambitious, but always believable and apt. In one scene of high camp at the vicarage, the unseen thief *rifles drawers, shifts furniture* and makes off with the collection box. He escapes, to the sound of breaking glass, leaving a man-shaped hole in the french windows. The protagonist's invisibility requires the other actors to react, as it were, to nothing, and this they all do wonderfully well, especially in Ian McKay's wittily-choreographed fights.

The characters, all sharply-drawn stereotypes, say exactly what is required. The local Squire (Andrew Secombe), in love with the new radical schoolmistress (Caroline Loncq), dispatches her socialist-feminist opinions with "I can get the Fabian dialogue from my footman."

The Police Constable, turgid with thought and superbly played by Geoffrey Freshwater, makes every cliché count: "I may be a simple village copper sir, but I know an offence when I see one." When he suffers injury in the line of duty, the production shows its sharper edge: "Killed a policeman, eh? I see yoo're a reformer as well as a robber." Jon Finch is at his pellucid best as the invisible man.

Andrew St George

New Ligeti

ROYAL FESTIVAL HALL

The new György Ligeti is a violin concerto – or rather, three-fifths of one: two more movements are still on the way. On Saturday Saschko Gawriloff delivered the three completed ones with assured brilliance, matched by the Philharmonia under Elgar Howarth. The torso is intriguing; there is no knowing how Ligeti will round it off.

In the opening "Vivace luminoso", the violin saws incessantly away at broken chords like some demented Vivaldi fanatic. Meanwhile, over dark churnings in the orchestra, a slow, melancholy chant goes on and on. Transylvanian enough to recall the plaintive "Pe loc" from Bartók's Rumanian Dances. Then a Passacaglia evolves, marked "Lento appassionato", with much use of noo-standard tuning ("natural" brass, ocarinas, *scordatura* strings): at first the violin does nothing but sustain very high notes, *molto vibrato*, but eventually it descends to deliver long, intense phrases.

Tha brief scherzo, "Presto fluido", is a glittering waterfall of chromatics, with a terrific part for a double bank of partly-filled bottles. Obviously a centrepiece, not a conclusion to anything: the sense of it all will no doubt come into clearer focus when the concerto is finished. As a work-in-progress, it took its place satisfyingly enough in the middle of Howarth's splendid programme – which deserved a far larger audience than it actually drew.

Satie's "surrealist" *Parade*, complete with typewriter, siren and revolver, came first, in a performance as affectionately bright and witty as I've heard. After the Coocerto there was Ligeti's *San Francisco Polyphony* of 1975 – seething micro-polyphony with a dangerous edge; it is a familiar London Sinfonietta showpiece, but it was fascinating to hear it with a *full complement of the Philharmonia's* excelleot strings. Finally, Howarth engineered a glorious account of the Janácek Sinfonietta, faultlessly paced and executed: pure pleasure, and a marvellous tonic.

David Murray

La fanciulla del West

METROPOLITAN OPERA, NEW YORK

La fanciulla del West was the Metropolitan Opera's first world premiere, in 1910. Its second, Humperdinck's *Königskinder*, followed a fortnight later. Two singers were common to both: Marie Mattfeld as Wowkle and the Stablemeid, and Antonio Pini-Corsi as Happy and the Innkeeper. Destinn sang Minnie, and Caruso sang Dick, but the opera didn't really catch on. The new Met production of *La fanciulla* that opened recently was only the company's 68th performance of the opera in 80 years – or, counting tour performances, its 76th – as opposed to 980 performances of *Bohème*, 717 of *Butterfly*, and 688 of *Tosca* up to 1985 (the figures are higher now) recorded in the Met's published annals.

The new production was conducted by Leonard Slatkin (who has recently recorded the opera), produced by Giancarlo Del Monaco, and designed by Michael Scott – all making Met debuts. The production was straightforward representational. Nothing wrong with that – except that what was represented, in Act 3, was not what Puccini required. The composer cast a kind of redemptive glory over his last act by prescribing a clearing in the redwood forest – giant trunks soaring into the flies, majestic snowy peaks glistening in the sun of a new dawn. *William Tell* was a subject he considered before settling for the *Girl*, and Rossini's *Tell* ends with a similar scene. Nature and human nature conspire; Edward Greenfield has written eloquently of the Marschallin-like radiance of the miners' sacrifice as they yield their beloved Minnie to the bandit who has won her heart.

But Del Monaco and Scott chaoged the setting to the drab, grey main street of an abandoned mining town, in a torch-lit gloom through which the singers' faces could not be read. This was a bad idea – diminishing to the opera – that the Met directors should have vetoed at the planning stage. They should also have raised questions about the first scene – a mining-town saloon bar expanded to Grand Central Station dimensions.

Placido Domingo – as Dick, as Caruso – gave a wonderful performance. He was ringing of tone, eloquent of utterance. But he took "Ch'ella mi creda" the opera's highpoint, slightly too slowly, impeding its flow. As Rance, the veteran Sherrill Milnes gave a heartfelt and subtle performance. The Minnie, Barbara Daniels, was vocally inadequate – out of tune and strident on the high notes.

Fanciulla lacks big tunes except for "Ch'ella mi creda" but it is one of Puccini's most fascinating scores, influenced by Debussy and by Straoss, and orchestrated with rare inveotions. Slatkin responded to those. His performance was an odd mixture of orchestral vividness, failure to flow, and wham-bang enthusiasm.

Andrew Porter

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Piano recital by Eliana Rodriguas, with music by Franck, Dabussy and Raval. Thurs: Borodin Ouartet plays Shostakovich (6718 345). Tomorrow in *Beurs van Barlage: Lev Markiz* conducts Nieuw Sinfoniatta Amsterdam in muaic by Stravinsky, Denisov, Mozart and Richard Strauss (6270 466)
Muziaktheater 20.15 Dutch National Ballat in worka by four Dutch choreographars, also tomorrow. Sun: Netherlends Dana Thaatar (6255 455/credit card bookings 6211 211)

BERLIN

Deutscha Oper 20.00 Stefan Soltasz conducts Il trovatore,h a cast led by Rosalind Plowright, Lao Nucci and Giorgio Lamberti. Tomorrow and Sat: Il barbiere di Siviglie. Thurs: Der fliagande Holländar. *Fri and Sun: Don Giovanni (West* Barlin 3410 249)
Schauspialhaus 20.00 Jemes Lavine conducts tha Berlin Philharmonic Orchestra in Strauss' Matamorphosen and Sibelius' Second Symphony, repeated tomorrow (East Berlin 2272 261)
Philharmonie Kammermusiksaal 20.00 Deutsche Kammarphilharmonia plays music by Bialas, Mozart and Beethoven. Tomorrow: Shura Charkassky recital (Wast Berlin 2614 383)

BUDAPEST

This weak'a avants include a concert at 19.30 tonight In tha Acadamy of Music by tha Hungarian Stata Symphony Orchestra conducted by Ken-Ichiro Kobayashi, with fluta sololst Erlka Sebok. Tha State Opera repertory includes Respighi's La fiamma tonight and Thurs, and Cosi fan tutte tomorrow. Also tomorrow, tha Erkel Theatra has La Gioconda, sung In Hungarian. Pre-booking *for concerts at the National* Philharmonic Booking Office (Vorosmarty ter 1) and for opera at tha Central Thaatre Booking Office (Andrassy ut 18), also at theatre box offices.

GENOA

Teatro Carlo Falice 20.30 Il trovatora with Shirley Varratt as Azucena, Sandre Pacetti as Leonora end Kristien Johennsson as Manrico. Repeated Nov 6, 8, 10, 13 and 17. Thurs, Fri, Sat, Sun: Béjart Ballet Lausanna In Maurice Bajert's new choreography Death in Vianna. Mon: Myung-Whun Chung conducts the Orchestra of La Scala, Milan (589329)

LONDON

Royalty Theatre 19.30 Northern Ballet Theatre production of Romeo and Juliet, directed by Christophar Gabla, choreographed by Massimo Moricona and designed by Lez Brotherston. *Daily till Nov 9* (071-494 5090)
Sadiar's Wells 19.30 Sankal Juku: Japsn Festival production combining *opera* and dance, hased on Butoh cultura. Daily till Sat (071-278 8916)
Barbican 19.45 London debut of *tha Orchestra da la Suissa* Romande. Armin Jordan conducts Schubert'a Ovartura in the Italian atyla, Beathoven'a Piano Concerto No 4 with Radu Lupu, and The Rita ol Spring. (071-638 8891)
Royal Festival Hall 19.30 Franz Walsar-Möst conducts tha London Philharmonic In Shostakovich'a Chamber Symphony, Sibelius' Lemminkainan Sulte and Mozart's Violin Concerto in A, with Kyung-Wha Chung. Tomorrow: *Berlo conducts Berlo (071-928 8800)*
Coliseum 19.30 Justin Brown conducts La boheme, with Gillian Sullivan as Mimi, alao Fri. Tomorrow and Sat: Graham Vick'a new production of Le nozze di Figero. Thurs: The Mikado (071-836 3161)

MADRID

At the Auditorio Nacional da Musica tonight and Thurs, the Takacs Quartat plays all *six* string quartets by Bartok. This week'a Spaniah *National* Orchestra programma (Fri, Sat, Sun) Is conducted by Aldo Ceccato, and includes Bruckner's Fourth Symphony and Haydn's D major Cello Concerto, with Alvaro Quintanilla (337 0100)

MILAN

Teatro alla Scala 20.00 John Cranko's ballet Tha Taming of the Shraw, repeated tomorrow. Thurs: *Carla Fracci gala (7200 3744)*

MUNICH

Staatsoper 19.00 Bevarian Stata Ballat in John Cranko'a production of Romeo and Juliat. Tomorrow: Elektra with Hildegard Behrans and Christa Ludwig. Thurs: Robart Carsen's production ot Lucia di Lammarmoor, with Edita Gruberova and Francisco Araiza. *Fri: Marek* Janowski conducts Das Rhaingold. Sat: La bohame. Sun: Dia Walküre with James Morris and Hildegard Behrens. Tha Munich Ring continuas with Siagfried on Nov 6 and Götterdämmarung on Nov 10. Tha naxt Ring cycle Is in Fabruary (221316)
Philharmonie 20.00 Sarglu *Celibidache conducts the Munich* Philharmonic Orchestra in Dvorak's New World Symphony and Tchaikovsky's First Piano Concerto, with Danial Barenbolm (48098 814). Tomorrow: Yahudi Menuhin conducts the Berlin Staatskapelle In a Mozart and Beethoven programma. Thurs: Enoch zu Guttenberg conducts the Munich Bach Collegium in Haydn'a Craation (299901)
Herkulessaal der Residenz 20.00 Scharoun Ensambla of the Barlin Philharmonic Orchestra plays wind octets by Hindamith and Schubert (983898). Thurs: Schubert programma with the Munich Symphony Orchestra and Brahme Ghoir (299901)
Kammerspiele 19.30 Botho Strauss' play Schlusschor directed by Dietar Dorn, also tomorrow (23721 328)

NEW YORK

Avery Fisher Hall 19.30 Glaus Peter Flor conducts tha New York Philharmonic Orchestra In Shostakovich's Tenth Symphony and Mozart'a Piano Concerto in A major K414, with Rudolf Firkusny. Thurs, Fri and naxt Tues: Claus Peter Flor conducts music by Mozart, Siegfried Matthua and Mandelssohn (875 5030)
Metropolitan Opera 20.00 Placido Domingo heads tha cast In Giancarlo dal Monaco'a naw production of La tanciulla dal West, conducted by Leonard Slatkin. Tha cast also includas Barbara Danials and Georga Fortuna. Tomorrow: Dla Zauberflöte (362 6000)
New York State Theater 20.00 City Opera production of Tha Mothar of Three Sons, dance opera concelvad and directed by Bill T. Jones with music by Leroy Jankins. *Tomorrow: La traviata. Thurs:* Tosca. Fri: Die Soldaten. Sat: La bohama (870 5570)

PRAGUE

This week's avents include a concert at 19.30 tonight In tha Smetana Hall (rapeated tomorrow) by tha Prague Symphony Orchestra conducted by Patr Altrichtar. Tha programma consists of Beethoven's First Piano Concerto, with soloist Justus Frantz, and Bruckner's Third Symphony (Prasna brany 2, 232 5858). On Thurs at tha Smetana Hall, Bohdan Warchal directs tha Slovak Ghamber Orchestra in a programma of Handal, Mozart and Talamenn (231 9164). Tha opera programma at tha Smetana Theatre includes Il trovatore tonight and Rigoletto on Fri at tha Smetane Theatre. The National Theatre has Smatana'a The Secrat on Sat and Il barbiara di Siviglia on Sun. Pre-booking at city cantra ticket agancies (Bohamia, *Na Prikope* 16, 228738, or Melantrich, Wancesias Square 38, 228714) and thaatra hox offices.

WASHINGTON

THEATRE

● **Yerma:** Tazewall Thompson directs Lorca's powerful atudy ol a peasant woman obsessed with tha desira for a child. Arana Staga, Kreegar Thaater till Nov 24 (488 3300)
● **Sotoba Komachi:** Japanese legand of a once-beautiful woman and har adoring suitor, performad as a modarn Noh play. Written by Yukio Mishima, directed by Yukio Ninagawa. Thura, Fri and Sat thia week only (467 4600)

MUSIC AND DANCE

● From tomorrow till Sat at tha Eisenhowar Thaater, tha Washington Ballet presents a double-bill consisting of Barnard Nault'a production of La filla mal gardée and Ghoo-San Goh's 1986 work Unknown Tarritory (467 4600)
● Tonight at 19.00, Rafael Frühbeck da Burgos conducts tha National Symphony Orchestra at the Kennedy Center Concert Hall, In a programme including Dvorak'a Naw World Symphony and Ginastera'a Second Cello Concerto, played by Aurora Natoloa-Ginastera. Tomorrow and Thurs: National Symphony Orchestra Halloween Pops concart. Fri: song recital by Dmitri Hvorostovsky (467 4600)

JAZZ

Blues Alley Jazz Supperclub: Dizzy Gillespia on tha trumpet, every evening at 20.00 and 22.00 from tonight till Sun (3240 Prospect St., Georgetown, 337 4141)

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1230-1300 Ausiness Morning
1330-1400 Ausiness Day
2000-2030 World Ausiness Today – a joint FT/CNN production with a review of business stories
2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
2130-2200 (Tues) East Europe Report – weekly financial report from FTTV.
2130-2200 (Wed) FT Ausiness Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
2130-2200 (Thurs) Talking Heads

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SATURDAY

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1540-1610 Moneyweek
1800-1830 World Gusiness This Week
2110-2140 Your Money

SUNDAY

Superchannel
1800-1830 FT Gusiness Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
0710-0740 Moneyweek
1340-1400 Inside business
1540-1610 Your Money
1800-1830 World Business This Week
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A better deal for women

BUSINESS IN the Community deserves congratulation for launching Opportunity 2000, an initiative aimed at increasing women's contribution to UK business. Sixty-one companies – many blue-chip names – have committed themselves to improving the position of women in their organisations by the end of the century.

The central premiss of the campaign is that UK employers are failing to exploit fully the abilities of women in their workforce. Competitive advantage for businesses lies increasingly in using the talents and skills of their workforce: equal opportunities policies can assist by ensuring that women develop their full potential. And espousing such policies may assist in reducing labour turnover: it is often cheaper to train and develop employees than to recruit new staff.

Demographic changes have already alerted companies to the growing importance of women in the workforce. The number of school-leavers continues to fall, and by 1995 will reach the lowest figure in over 30 years. Employers who have traditionally relied on new entrants to the labour market must tap new sources, and women who have left employment to start a family are a target. Sainsbury and the Civil Service are among organisations which have introduced flexible working hours to attract mothers with school-age children. Banks have extended maternity leave to seven years or more to lure back staff. The health service has joined Midland Bank in opening shared nurseries.

Cultural change

But the recession has encouraged some employers to slip back into their old ways. Opportunity 2000 should reinvigorate the process of cultural change, particularly with the prime minister's backing. The companies involved will pool ideas on good practice and share research and consultancy. Some will set targets for the number of women they wish to see in senior posts. Others reject targets with specific numbers, citing the mixed US experience of quotas and positive discrimination. But policies with measurable outcomes on which progress is regularly reported will encourage women to expect more – and hold managers to account when progress is too slow.

Career obstacle

However, no attempt to increase women's contribution to business can overlook the obstacles which motherhood throws in front of a career. Some of these can be dealt with by employers: for example, schemes can keep women on maternity leave in touch with developments at work.

But employers can do less about the choice between active motherhood and a career which is forced on many women by the lack of suitable childcare provision designed to allow both to be combined. Local authority nursery schools, social services nurseries, voluntary playgroups, child-minders and nannies, vary considerably in availability, cost and quality. Workplace nurseries have been encouraged by tax relief, but childcare based at the place of work is not many parents' first choice. A much wider variety of options is needed, of greater quality than is now the case.

While the largest employers may be able to provide such options, they are beyond the means or ability of most companies. The task of deciding how far childcare can sensibly be extended obviously includes a government whose record to date is a lot less impressive than Mr Major's fine words. A public debate, with realistic costings, is now needed about whether and how this can best be provided.

Mr Yeltsin acts

PRESIDENT Boris Yeltsin yesterday curtly asked the international community to assist his economic reforms. As he spoke, two other meetings were going on within a mile of him. Senior officials of the Group of Seven countries were thrashing out a position between the 12 remaining Soviet republics on the repayment of Soviet debt; and Mr Mikhail Gorbachev, the Soviet president, was meeting the president of Cyprus.

Centre stage

No question who commanded centre stage. President Yeltsin has the power – if he has the will – to determine how and when reform will be instituted, both in Russia and, because of Russia's size, throughout the union. Mr Gorbachev has the power to meet the president of Cyprus. The G7 emissaries, faced with a fissiparous group of republican leaders, are learning at first hand just how little power the centre has left.

Aid promises

Thus aid, from now on, will not go to the Soviet Union: nor is there any longer profit in promising aid in return for a fully coordinated economic programme. The process of disintegration – or, to put it another way, nation-building – has gone too far.

From now on, assistance can only be given through the republics, although in assessing bids, the west will want to consider each bidder's commitment to a continued, effective mechanism of financial exchange between the republics, as well as their credentials as democrats and market reformers. This will entail a vast deal of diplomatic and political effort: but there is nothing the international community can do, via either the carrot or the stick, to keep the Soviet Union together.

UK aerospace

BRITAIN'S aerospace industry is in danger of getting into a mess which the government should be keen to avoid.

The industry's mixed fortunes were amply demonstrated yesterday by the coincidence of Lucas Industries' £1.7bn order to supply aircraft engine parts to General Motors and the snub which investors delivered to British Aerospace's £432m rights issue.

Along with chemicals and pharmaceuticals, aerospace is one of a few manufacturing sectors where Britain can field a full team. The UK's capability encompasses BAe's military and civil airframes, Rolls-Royce's engines and important suppliers such as GEC, Smiths Industries and Dowty.

BAe's parlous position is not typical of the industry. Yet all aerospace companies face similar pressures, which stem in part from the depth of the recession, but more from declining military orders and the government's insistence that more development work should be privately funded.

Also, the world civil aerospace industry is bruisingly competitive. Japan still wants to break into an industry largely dominated by the Americans and the German industry has been reorganised around Daimler-Benz, with the apparent aim of becoming one of the largest in Europe. France, meanwhile, remains a generous subsidiser of its industry. To succeed, companies need the clout to open up overseas markets, the financial strength to fund development projects and the technical expertise to innovate. Effective international alliances are an indispensable part of the game.

There is no case for hefty state subsidies since most of the answers lie in the companies' hands. For instance Smiths Industries last week delivered tidy results, which testify to its firm management of a few activities. BAe is in a mess largely because it lacks these qualities. It is worth recalling that BAe, like Rolls-Royce, was until relatively recently in the public sector. BAe in particular is still a young company learning commercial management disciplines.

Yet the government cannot avoid some responsibility for the industry's fate. It is one of the industry's largest customers; it helps to fund its research work; it represents the industry's interests in trade negotiations and through its regulation of the UK airline sector strongly influences the environment in which the industry works. Governments also determine the military strategies and alliances which determine the demand for weapons.

The Department of Trade and Industry, with assistance from the Ministry of Defence, would be performing a valuable service by drawing together these strands, helping the manufacturers at least to understand as clearly as possible the planning framework within which they must work. Such a move might even do the government some political good.

The Russian leader is going it alone in reform, writes John Lloyd

Yeltsin's bitter pill

This is one of the most critical moments in the history of the country. Boris Yeltsin, President of Russia, October 28 1991.

We have been told of many critical moments in the history of the Soviet Union, or Russia, in the past few years; but it would be wrong to react cynically to this latest declaration. His speech yesterday telling Russians to prepare for tough and painful economic reforms really is one of the most critical, for the revolution which was fully unleashed by the failure of the August putsch is now running strongly, and the decisions made by the decisive power – the Russian republic – are crucial to its future course.

In seeking to evaluate how far Mr Boris Yeltsin's 65-minute speech to the Russian parliament yesterday, in which he pledged to liberalise prices and speed up privatisation and land reform, will alter the course of history, we should pose three questions:

- Will he deliver on what he has said?
- Will the reforms and actions he adumbrated be followed through at a union, or only a Russian, level?
- And if he does deliver, and does deliver alone, can the Russian government stand the strain?

Mr Yeltsin's move comes very late. The momentum which the August 19-21 putsch gave to the subsequently victorious democratic forces – forces which included those who had most overtly fought for democratic and pro-market reform, and those who stood most to benefit from both – has been all but lost. Radical leaders, including Mr Yeltsin, have over the past two months used the coup to fuel rhetoric about the need for reform, not to support it in reality. In his speech, Mr Yeltsin excused delay by saying time had been needed to prepare a programme of action – as if the shelves were not groaning with radical programmes, and as if the moves to be taken to puncture gathering hyperinflation, control budget deficits, free prices and end industrial monopolies were not already well enough known.

In the course of the past few months, he has seen his popularity, which had been bolstered by his courage and his resolution during the coup, slide away; he has seen a series of futile and enervating arguments destroy any coherence his cabinet might once have had; and he has seen resistance to Russian central government's writ gather across his vast country. The important and industrially powerful autonomous republic of Tatarstan has proclaimed independence, as has the republic of Chechen Ingushetia, where at the weekend an unofficial election brought out a reported 80 per cent of the population to vote in a president – General Dzakhar Dudayev – pledged to confront Russian authority.

The independent trade unions, relatively quiescent before, have in the past few weeks staged demonstrations; there have been scattered, so far unimportant, strikes. The slogan has been "free prices matched by free wages". In fact, President Yeltsin promised just that yesterday – but if he is to conquer inflation as he means to, the rise in wages must lag behind prices and the unions will have to respond to the desperation of their members by taking harsher action than they presently have.

Conditions everywhere are getting worse rapidly – leading many western observers to conclude that an economic collapse is now all but inevitable. Mr George Soros, the Hungarian-American financier who has established a foundation to assist reform in Moscow told a conference of western lawyers last week that little the west could now do would avoid economic collapse; and Mr Robert Strauss, the US ambassador, is advising his government of the possibility of spontaneous revolt on the streets this winter. To sit tight is not really an option.

Thus if Mr Yeltsin does not act now, he will – as he said with typical melodrama yesterday – "condemn ourselves to beggary and our centuries-old state to disaster". Everything is a risk; and he has chosen, it seems, a Russian version of shock therapy as the most acceptable one. By taking personal control of the government he has played the last real ace the Russian government has: the remaining authority and power of his office and his personality. The best assumption, then, is that he means to do, soon, what he said yesterday he would.

But he will probably have to do it alone. The process of disintegration in the Soviet Union is now far advanced: in particular, the large and relatively advanced republic of the Ukraine has now committed itself, probably irrevocably, to full-blooded independence.

Mr Yeltsin challenged the republics to come with him at once, or go their own ways. Coming with him meant dropping any immediate plans for separate currencies, agreeing to an inter-republican bank with full reserve bank powers throughout the union and assenting to a presence on that bank's board commensurate with their resources – which would mean the domination of Russia. Further, it meant eschewing the creation of separate armies in favour of an all-union force.

These conditions, essential as the most minimal base for a functioning union, are unacceptable to the Ukraine, and to many of the other 12 remaining union republics – many of which consider themselves to be formally independent. Though all have taken part in the negotiations on an economic agreement conducted by Mr Grigory Yavlinsky, the economic co-ordinator of the Committee for the Management of the National Economy, and though eight have signed such an agreement, all are seeking to save what they can of their own produce and few have signed effective inter-enterprise agreements which could see a flow of goods and produce across the republican borders.

Mr Yeltsin knows this, and hence he laid out a series of moves he would make if current trends continue. These have been urged upon him by a group of economists, headed by Mr Egor Gaidar, a prominent radical slated to take a prominent role in the new government. He has long believed that Mr Yavlinsky's efforts to get all-union reform are doomed: and that Russia must now cut itself loose and set the pace, which others might follow.

Thus Russia will, in effect, take over the functions of the present USSR State Bank (Gosbank) and print its own money: indeed, the Russian president said, Russia was ready to become the "legal successor to the Soviet Union". It would, if other republics continued to set up separate military forces, also create its own army. The key element, he said, was speed; but it now seems inevitable that the union will be sacrificed. Said Mr Nikolai Travkin, chairman of the Russian Democratic party: "I think, in Yeltsin's speech, the union was given up for lost."

There can, finally, be no sensible answer to the question of how much hard pounding the Russian authorities can take. Again and again, Mr Yeltsin begged for understanding and support from the people, holding out the prospect of a clear road and ultimate improvement after some pain, uncertainty and decline in living standards. The situation, he said, would be visibly getting better by next autumn.

He will have support from the democrats: Mr Yuri Afanasiev, a leader of the Democratic Russia bloc, said that "the general direction of this report deserves respect, and our movement will support it." Mr Nikolai Bocharov, an influential Russian deputy and former chairman of the Russian Economic Council, said he "much appreciated his [Yeltsin's] determination to set up a new structure of power". In becoming head of the government as well as president, Mr Yeltsin raised fears in some that he was straying towards authoritarian territory, but there is enough panic in high circles to allow him considerable latitude.

There is some similarity here with the experience of the Poles, for nearly two years the objects of a shock therapy; in Russia, as in Poland, the first popular response has not been revolt but apathy and revulsion towards the whole political process. Certainly for the moment, most energy goes into finding, preserving and storing food in a society in which all bemoan the fact that each is out for himself. The union has few supporters, and a coup in its name is likely to be even less successful than that in August; no one yet challenges Mr Yeltsin in Russia.

But, as he said of yesterday's announcement, "this was the hardest decision of my life" – hard for him because he knew how hard it will make life for ordinary Russians. The constituent parts of what was the Soviet Union, now thrown back upon their own resources, are about to discover how painful it is to build nations from a political, economic and moral wasteland.

Power to the consumer

Andrew Hill and Deborah Hargreaves on EC energy policy

Mr Antonio Cardoso e Cunha will today put on kid gloves for a meeting of EC energy ministers at which he intends to nudge forward one of the most controversial measures of his four-year term as European energy commissioner.

He will be seeking nothing less than the eventual break-up of national gas and electricity monopolies. "Third-party access", Eurojargon for this process of energy market liberalisation, does not grab public attention like some other issues to be debated in Luxembourg today, such as the proposed energy tax to curb carbon dioxide emissions. But it is one of the fundamental building blocks of the whole single market. As one Brussels energy official asks, "How can you claim to have a genuine internal market if companies in one country don't have access to energy on the same terms as companiae in another?"

Not surprisingly, the idea of breaking down the barriers in energy supplies faces beavy opposition – both from EC governments and from the power industry itself. Many established gas and electricity suppliers in Europe argue that the break-up of national energy monopolies would deprive companies of income they need to invest in infrastructure, and that this in turn could create supply shortages. Eurogas, the EC industry lobby group, calls third party access "a risky experiment endangering security of supply and environmental protection".

Others argue that the benefits of greater competition would be unevenly spread; that home-owners who are unlikely to have a choice of supplier could end up paying for any increased investment that is lavished on industrial consumers. "The Commission says opening the market will bring prices down. Well, I'm not sure it will, and, in any case, only the major users will benefit. Small customers could see prices rising," said Mrs Pim Tencate at Samenwerksnde Elektriciteits-Produktiehedrijven, the Dutch electricity company.

Some commissioners – including Sir Leon Brittan, responsible for competition – had believed that the EC did not need to worry about such opposition. They argued that the Commission already had the legal ammunition to dismantle national energy monopolies in the form of Article 90 of the Treaty of Rome, which enables Brussels to act to promote competition without having to win the approval of member states. But the Maastricht summit in December has made commissioners concerned about offending member states, and Sir Leon's favoured approach has for the moment been put to one side.

For once, the Commission does have an ally in Britain on this issue. The UK is in favour of energy liberalisation, having already introduced a measure of third party access to energy networks through privatisation. The British electricity industry – and to a limited extent British Gas – has also learned to love the idea of competition. "We challenged open access here with all the same arguments as the continental producers," said Mr John Baker, chairman of National Power, one of the UK's privatised electricity generators, "but we were proved wrong."

The UK has the tentative backing of Ireland and Portugal, but ranged against them are Germany, France, the Netherlands and Spain, which broadly favour retaining the status quo. in the prevailing atmosphere, the Commission has now agreed that Mr Cardoso e Cunha's approach to the issue should be softened somewhat. Instead of tabling legislation, the commissioner will today ootline a tbree-phase process for opening up the internal energy market.

- The first phase is in place: against industry protests, ministers last year approved two directives allowing utilities to transport gas and electricity across borders in the EC.
- In the second phase, which enthusiasts would still like to see take effect at the beginning of 1993, gas and electricity production monopolies would be abolished, allowing anyone to construct a transmission grid.
- Phase three would consist of open access to the system – in principle allowing consumers to buy their energy from any snpplier in the Community, subject only to available capacity.

Not all energy suppliers in the Community are opposed to the Commission's ideas. Competitors to traditional public utilities such as Germany's Wintershall, a subsidiary of the BASF chemicals group that already supplies gas to industrial consumers, are eager to boost their role in the EC energy market. Wintershall rejects producers' arguments about the potential threat to gas supply posed by Commission plans as a way of trying to protect the status quo.

Ultimately, the fate of Mr Cardoso e Cunha's plans will depend, like much else, on the Maastricht summit; advocates of energy liberalisation argue that it would be difficult for nations which had just committed themselves to a common foreign policy or currency to cavil at the prospect of co-operation in the energy field.

In the meantime, the energy commissioner is waiting to present his formal proposals until he has received another report from a group of national experts. If opponents continue to object, the Commission can use the threat of legal action on competition grounds as a weapon of last resort.

OBSERVER

Chevalier Rhodes

■ Citicorp may be having its troubles but vice-chairman William Rhodes goes on winning plaudits. He was instituted as a chevalier of the French Légion d'Honneur in Paris yesterday. The reason: his work over the years with the French government in helping to manage the international debt crisis.

The man presenting Rhodes with the gong was Jacques de Larosière, governor of the Bank of France. De Larosière was head of the International Monetary Fund when the debt crisis broke in August 1982 with Mexico's announcement that it could no longer meet its obligations.

De Larosière and Rhodes – whose bank had the largest exposures to Latin America – wers two central figures in staving off a predicted worldwide banking collapse. A third, Paul Volcker, former chairman of the US Federal Reserve, was also in Paris at the ceremony.

Looking on too was newspaper magnate Rupert Murdoch, another with reason to be indebted to Rhodes. Rhodes helped guide through the News Corporation debt restructuring, completed earlier this year, that ensured the Murdoch company's survival.

While not wishing to tarnish the gilt on Rhodes's French gingerbread, Observer should point out that the chevalier class of the Legion d'Honneur is the lowest of the order's five ranks, with 132,000 present members. The more exclusive ranks, in ascending order, are officier, commandeur, grand officier, and grand-croix.

Old rules

■ Thames Television was one of the few companies at yesterday's launch of the Opportunity 2000 initiative, which was not crowing about its progress in employing and promoting women staff.

Thames's entry in a document listing the goals being set by over 60 companies participating in the project, was woefully short and had clearly been hacked down from an earlier, more ambitious version. It simply stated: "Having been outbid in the recent Channel 3 licence awards, from 1993 onwards Thames will operate as the leading independent producer in the UK."

Nothing there about even limited prospects for women.

Said chief executive Richard Dunn gloomily: "With over 1,000 jobs out of 1,400 going, equal opportunities can't exactly be a priority."

So it seems that when the going gets rough, the game will be played by the old rules. Last one out switch off the light.

Cash flow

■ Perhaps the big clearing banks are finding the recession even more of a struggle than most of us thought. Yesterday morning the Lloyds branch in London's Cannon Street, in the heart of the City, had no cash available at all. One FT colleague was only able to draw money out because the next person in the queue wanted to pay some in.

Night gap

■ Labour's deputy leader Roy Hattersley appears to be so confident of his party's chances in the next general election that he can afford to snub the 10,000 members of Britain's top mandarins' union, the Association of First Division Civil Servants.

He has pulled out of s lecture he was due to give the association at 6.30 tonight on "The Future of the Civil Service". His excuse? A 9am engagement tomorrow at the Hemsworth by-election.

"I donate most of my pay to charity"

Sir Humphrey Appleby might reasonably point out that Hattersley could deliver the lecture and still be in Hemsworth in time for tonight's Horlicks. Hatters had better watch his back if he finds himself a minister in a future Government: it is the association's members who will have to tend to his every move.

Bryan Gould has manfully stepped into the gap.

Happy birthday

■ The sight of Harry Oppenheimer, the grand old man of South African mining, spending part of his 83rd birthday addressing SG Warburg's International Mining Conference yesterday is the surest sign yet that Britain's premier merchant bank and the giant Anglo American Corporation are back on the best of terms.

It has not always been the case. There was a brief period during the battle for Consolidated Gold Fields when relations were definitely strained. Warburg's Rowe and Pitman, which had launched the infamous dawn raid on Gold Fields in 1980, has always been in the Anglo camp. However, Warburg's corporate finance arm was a valued adviser to Gold Fields. When Anglo'e Minorco offshoot bid for Gold Fields it was a real test of loyalties and according to journalist Bill Jameson's account of the battle, Goldstrike, Warburg's Simon Garmoyle, an old friend of Gold Fields' chairman Rudolph Agnew, came near to resigning.

However, Warburg's chairman Sir David Scholey saved the day by insisting that his firm would represent neither side. For once, old-fashioned values paid off. Garmoyle, now trading under the title Lord Cairns, has been promoted to group chief executive, Anglo American remains a valued client, and Gold Fields is but a memory.

Crossed lines

■ Further revelations from the biograpby of Brazil's former economy minister who decided to tell all. According to Zelia Cardoso who resigned in May, her central bank governor Ibrahim Eris was nominated by accident.

Apparently she asked her secretary to ring Ibrahim Elias, a colleague at Sao Paulo university, to offer him the post and the secretary misheard the name. When Eris, a Turkish financial wizard, was put on the line Cardoso decided he might be good at the job.

Ironically Eris went on to become the most praised member of the economic team though he resigned with the rest in May.

Short-termism

■ A recent advertisement in Tha Economist promises: "Now You Can Read the Best Business Books of 1992 – in Just 15 Minutes Each".

Top of the list: a book called The Art of the Long View.

Limited room for manoeuvre

Peter Marsh on the difficult choices facing the UK chancellor over public spending next year

Mr Norman Lamont is not usually noted for his thespian skills. But at some point next month, the chancellor must play Big Spender and Scrooge at the same time.

To an uncomfortable extent the government's electoral hopes will be pinned on Mr Lamont's performance when he rises in the Commons to announce the government's public spending plans for the coming 1992-93 financial year and beyond.

His autumn statement on the economy, expected in the next two weeks, must win the support of the voters, boost the morale of the Conservative party, reassure financial markets and somehow set the British economy back on the path of sustainable non-inflationary growth. But with a general election less than nine months away, Mr Lamont's economic room for manoeuvre is limited.

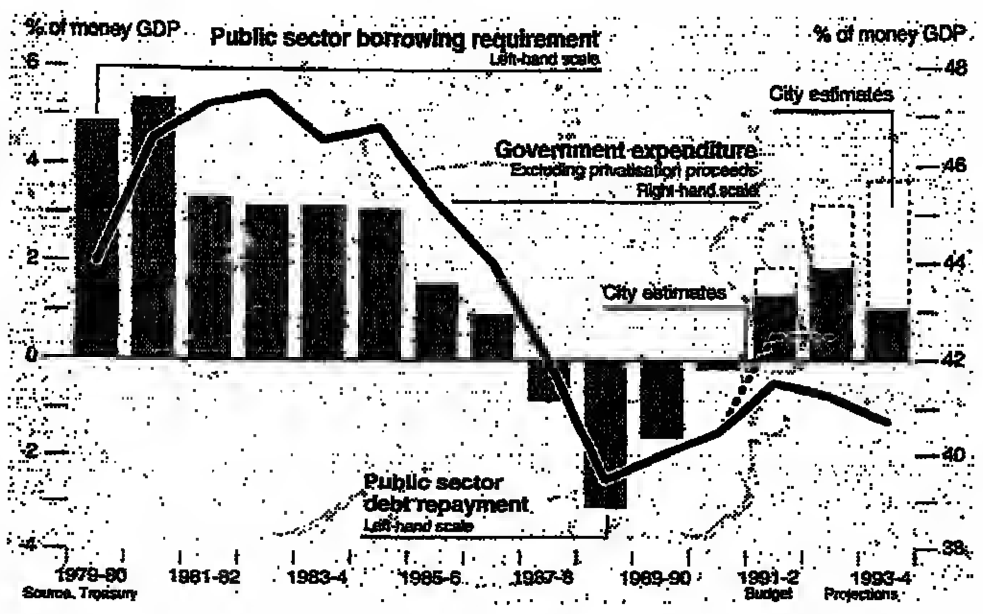
The government's finances have been savaged by recession and are likely to remain under pressure for some time, thanks to slow growth, depressed tax income and extra spending on unemployment and social security.

On the other hand, Mr Lamont must do what he can to enhance the "feel-good" factor among voters. Some of his cabinet colleagues will almost certainly want large increases in spending in popular areas such as the health service and education, partly to counter claims from Labour that the Conservatives are happy to see the public sector run down.

The chancellor must also convince financial markets – which have already shown some signs of nervousness about the large government deficits likely over the next few years – that he is not about to go on a borrowing spree to finance unrealistic plans.

The autumn statement is one of the two great set-piece events in the British financial year. Although less loudly heralded than the spring Budget, when the government determines its taxation and revenue policies, it is of vital importance as public spending accounts for 40 per cent of gross domestic product and covers areas ranging from museums to missile bases, and from prisons to pensions.

Neither Mr Lamont nor Mr David Mellor, his chief secretary and the minister directly responsible for negotiating the spending round, operates on an empty canvass. The claims on the public purse are many and frequently well entrenched, while the outlook for the economy this year is especially unclear. As they put the finishing touches to their plans, Messrs Lamont and Mellor have had to wrestle with the following issues:



● Unavoidable expenditure. The chancellor has discretion over only about 15 per cent of the £252bn total public spending already pencilled in by the Treasury for 1992-93. (This sum includes self-financed spending by local authorities and debt interest, and is therefore bigger than the Treasury's £221bn planning target – which omits these items.)

The rest of the spending comprises long-term commitments in areas such as social security, grants to local authorities, European Community payments and defence. Mr Lamont's hands are especially tied in the area of social security, which accounted for 27 per cent of spending last year. About half of social security spending goes to pensioners, with most of the rest represented by unemployment benefits and other payments linked to economic hardship.

Of the extra £7bn or so that Mr Lamont is thought likely to add to public spending next year (not counting privatisation proceeds, which the Treasury treats as "negative expenditure" or saving) some £3bn may go on social security.

● Discretionary increases. Both Mr Lamont and Mr Mellor have come under pressure from cabinet colleagues for increases in areas such as health and education – each of which accounts for roughly one-sixth of the total spending bill. An extra £1bn-£2bn announced in the autumn statement for each of these areas – perhaps to pay for renovations to ageing hospitals or schools – would look good in the newspaper headlines.

● Government income. The recession will have a delayed effect on government revenues, mainly by reducing profits and hence corporation tax. This is paid in arrears by companies and will be low in 1992 and 1993. With income tax also likely to be low, Mr Michael Saunders, an economist at Salomon Brothers in London, reckons total government revenues in 1992-93 and 1993-94 will be £235bn and £255bn respectively, in both cases £5bn lower than the Treasury's forecasts made in the March Budget.

● The switch to deficits. For the first time in five years, the government's income this year (1991-92) will be less than its outgoings, resulting in a deficit estimated by private-sector economists at about £11bn. It will have to borrow this sum from domestic and international lenders on the world bond markets, mainly by issuing UK government securities or gilts.

In 1992-93 the borrowing requirement could be about £20bn, and £25bn the year after that, representing the biggest five-year swing in the government's fiscal position since the early 1970s.

● Likely economic growth. The speed of the upturn is a vital link in the calculations about borrowing. Recent economic indicators have painted a picture of an extremely weak recovery, and support a relatively pessimistic view. City estimates of a £20bn deficit in 1992-93 assume the economy will expand by some 2 per cent in 1992, after a contraction of 2 per cent this year. However, some believe growth may be only 1 per cent, which would push the deficit up to an estimated £24bn. Professor Patrick Minford of Liverpool University, a fierce critic of the Treasury's economic strategy, reckons growth will be nearer zero.

● Local authorities. Between 1989-90 and this year, central government grants to local authorities have risen by a third, from £38bn to £52bn, in part to keep down poll tax bills. With an eye on keeping down individuals' poll tax payments around the time of next year's election, Mr Lamont may want to add a further £1bn or so to the grants for 1992-93. This could happen in the next few months rather than in the autumn statement.

● Capital investment. This accounts for about 10 per cent of the total bill, and covers such items as roads, railways, buildings and other public works. Some believe that whichever government is in power in the 1990s may need to spend more in this area, because of the need to replace or improve dilapidated infrastructure, many parts of which date from Victorian times.

While the chancellor has plenty of worries, in one area – the deficits – he appears more relaxed than many in the financial markets. Mr Lamont has argued that they are essentially cyclical, representing the increased spending and lower income caused by the recession. If he is right, the position will improve as the economy picks up later in the 1990s.

The projected deficit for 1993-94 is likely to amount only to about 4 per cent of GDP – compared with about 8 per cent in the early 1970s – indicating that the Treasury should find little difficulty covering its extra outgoings by borrowing.

Because of large debt repayments during the 1980s, when the UK's government finances were in surplus, Britain's net debt to national income position looks more favourable than that for many other European countries. The ratio stands at 34 per cent for Britain, compared with more than 40 per cent for France and Germany and more than 100 per cent for Italy, Ireland and Belgium. This means the "risk rating" bond specialists give to Britain is relatively low.

On the other hand, the deficits expected over the next few years will be unwelcome to Mr Lamont in so far as they make it more difficult for the government to cut taxes if re-elected.

Whatever the chancellor promises in his autumn statement, his words are bound to be picked apart with particular thoroughness by the opposition – and not just for the usual party political reasons.

Labour promises an extra £20bn or so a year in public spending if it gains power (partly by raising tax rates and partly through increased revenues from higher economic growth). Any negative reaction from the markets to higher government spending under the Tories would be a grim foretaste of what might be in store for Labour if Mr Neil Kinnock wins the election.

Joe Rogaly

Ace in the hole

When British ministers hint that there may be no agreement on political union at Maastricht they are playing poker. I hope they are remembering the cardinal rule of the game, a rule I learned at the price of a monstrous quantity of dollars over many unforgettable sessions of five-card stud.

The rule is simple. Do not be exposed as a bluffer. If you stand pat or keep upping the ante on the basis that your hole card is the ace of spades and they call and it is really a two of nothing you are finished in that game, possibly forever.

Britain's supposed ace at the intergovernmental conferences on political, economic and monetary union at Maastricht is that if agreement cannot be reached on London's terms, London will exercise its veto. It is not difficult to suggest that this ace really does exist.

Consider. Say parliament voted against the monetary agreement. The other 11 members of the European Community could then establish a single currency on their own. Should London fear being thus isolated? Not much. For a start it is not clear that the 11 would make good their proposed "solemn commitment" to monetary union. The French and German positions remain fundamentally different. Nobody can afford the Italians. At worst the hard core of the present DM zone – namely France, Germany, the Netherlands, Belgium and Luxembourg – might turn their present de facto currency union into a de jure single currency.

Britain would simply carry on within the exchange rate mechanism as now. Anyway, this establishment of a two-speed Europe might not happen very quickly. And here comes the clincher: Germany has said repeatedly that without progress towards a political union it is not interested in the agreement on monetary union. The political proposals require treaty amendments that would not be valid without Britain's assent. Ergo, the threat to withhold that assent must be taken seriously by the 11. It is a genuine ace.

Some British ministers take this argument further. Say there is a breakdown at Maastricht over an issue on which British opinion would support the government. This could be defence (will they tell us where to send our troops?), or foreign policy (where were the Belgians during the Gulf war?), or an unnecessarily centralising role for the European Commission (will they tell us what taxis to use, what metal our household boilers should be made of, where to put our roads?).

Behind all such issues lies a conflict between the federal vision of a Europe whose first allegiance is to its own constitution and the nationalists' vision of a congeries of states freely making and remaking treaties together. The former is a German vision, the latter French. Perhaps the differences could be exposed.

In those circumstances Mr John Major could go to the country on the ground that he had shown his European credentials but that no reasonable government could be expected to sign what was on offer. He is no Margaret Thatcher. He has demonstrated his willingness to be a good European and play the game the continental way. But, he could say, there were just these final points which could not be accepted. More time was needed. A shrug of the shoulders, a promise to keep trying under the Portuguese presidency during the first half of 1992, and the prime minister would emerge as a nationalist hero.

Only the awkward squad of Tory has-beens could object

If you swallow the argument so far, you may see merit in the rest of it. It runs as follows: those who want both agreements signed at Maastricht know that they must draft them so as to win British acceptance, or risk a veto. Yesterday's draft agreement on economic and monetary union supports this view. It does not bind Britain into a single currency, but leaves it the option of joining should it so wish. Only the awkward squad of Conservative has-beens, led by an increasingly irresolute Mr Norman Tebbit, could object to that – and even he talks as if his threat to vote against the government is a bluff. As for the queen has-been, one view is that an open shoot-out with Mrs Margaret Thatcher could do Mr Major as much good with ordinary voters as the blasting of Labour militants has done for Mr Neil Kinnock.

The political union talks are another matter. Here the foreign secretary, Mr Douglas Hurd, has been talking as if the other 11 members of the EC have not shown sufficient respect for the power of the British ace. My friends in the European Parliament put it another way. There are four aces in the pack. Another player – Germany, perhaps – may hold more than one. If the British are wholly unreasonable on matters such as the powers of the European Parliament or majority voting on defence and foreign policy, they could be outsmarted. For the Germans are sophisticated analysts of the British political scene.

If the cause of break-up is the social charter, Labour will be able to say that the Tories are denying the natural rights of employees. If the voting is 11-1 on all political union issues we would be back to an isolated Britain and a further cloud over Tory prospects at the next election. The foreign exchange markets would react adversely. Interest rates would rise, and the Conservatives would fall.

We can therefore believe the government when it says it wants to sign both agreements if at all possible. The best position from which to fight an election would be one in which the Cooservative party looked united. This now looks almost achievable, save for the unpredictability of a few prominent diehards. The prime minister could in any event be portrayed as the man who triumphed for Britain in the European negotiations. Few people would read and fewer understand the small print, which would marginally increase the remit of Brussels and the responsibilities of the European Parliament. But at least Mr Major would not have lost his shirt. It is a dangerous game, poker.

LETTERS

Wrong pursuit

From Mr Rupert Lycett Green.

Sir, Nigel Lawson was rightly castigated for his exchange rate pursuit of the D-Mark. This required that UK interest rates be too low for good management of the domestic economy. The ERM straitjacket now demands that our interest rates again follow Germany's too closely. That they are too high for the good of our economy is becoming obvious. Again the economy is being sacrificed on the altar of European unity. Our main political parties are apparently happy with the situation. Where do we go from here?

Rupert Lycett Green,
managing director,
Blackland Oil,
4 St James's Place, London SW1

Government backing for tenders process flawed

From Mr Michael Manser.

Sir, The government is pressing for competitive tendering for services as well as commodities: but services include intellectual property not easily evaluated by fee bidding.

The architect's fee, for instance, in a large construction project, is about 3 per cent of the total capital outlay. The success of the project, commercially, in use and aesthetically is dependent upon the quality of his initial concept; if this is bad, the building will be flawed and not easily retrieved at a later stage. Because the scope of tendering is no more than about 0.25 per cent either way, the project will be jeopardised to save perhaps 0.125 per cent of the hudget. This does not make investment sense.

Even today the provision of services is a personal business and suppliars can only be safely chosen by interview and track record.

There is an opportunity after selection for fee negotiation, but at least then the customer has some idea of what he is trying to buy.

Michael Manser,
Manser Associates,
Architects,
Bridge Studios,
Hammersmith Bridge,
London W6

Late payment true scourge of small business

From Mr William Brandon.

Sir, Most businessmen would prefer a high-handed bank to a tight-fisted debtor. Late payment is the true scourge of small business, and its prevalence makes the banks' work all the more difficult. When a business banks with its suppliers, proper banks find it difficult to assess the firm's true trading position.

It is time this avowedly pro-business government realised that stiff laws on late payment are a necessary part of ecoomic infrastructure. Suggestions that there should be a statutory right to interest on unpaid hills miss the point – companies would not enforce such a right any more than they enforce similar rights under existing contracts. They would lose clients.

A neater way would be to treat payment later than 30 days as wrongful trading, and to make it a duty of auditors and suppliers to report such trading to the Department of Trade and Industry. Offending directors would then be barred from serving as directors of limited companies.

Such a law would prevent hard-pressed companies from treating their suppliers as bankers.

William Brandon,
Flat 3,
26 Morwell Street,
London WC1B 3AR

Literature should be seen as a shared heritage

From Mr James O Boyt.

Sir, The remark that "even the two Americans sitting behind me" knew the story of Pickwick Papers was condescending and offansive, yat that is what the reviewer said (Arts, October 9).

This would be comparable to an American reviewer expressing surprise that an English audience would be familiar with the story of My Fair Lady when it opened in New York on March 15 1956. It opened in London on April 30 1950. It was, of course, based on Pygmalion hy George Bernard Shaw, an Irishman.

I was born, raised and educated in Iowa in the agricultural heartland of America. I have enjoyed Pickwick Papers since I first read it, in Iowa, in my teens. My three-volume set of the adventures of Mr Pickwick and friends occupies an important place in my home library.

Scrooge, Tiny Tim, Sydney Carton, Fagin and countless others form household words wherever English is spoken.

None of us should claim or want an exclusive to the great body of English literature. The authors may be English, Irish, Canadian, American, or Australian but their work is part of the wonderfnl heritage we share.

James O Boyt,
524 East Grand Avenue,
Des Moines,
Iowa, US

So where was the surprise?

From Mr Geoffrey Elliott.

Sir, You reported (October 26) the arrest of 11 people in and around Liverpool in a series of "pre-dawn raids", including Mr Darek Hatton, former deputy leader of Liverpool City Council.

On another page you published a photograph of Mr Hatton being escorted, after his arrest, by two police officers; the latter so dapper, it would be an insult to describe them as in plain clothes. "Raid" connotes surprise, so how did the photographer get there?

Geoffrey Elliott,
Villa Cliff,
Knapton Estates Road,
Smith's FL 08,
Bermuda

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Too soon to talk of decline of mezzanine financing in the UK

From Mr Erik Linnes.

Sir, Although you note a decline in UK mezzanine financing since 1989 in your article of October 15, the facts require more careful analysis.

The use of subordinated debt or mezzanine in the UK grew quite steadily up until 1989 when three Jumbo management huy-outs (MBOs) using mezzanine were completed, causing an unusually large rise. If those deals are excluded the use of mezzanine actually increased in 1990. Although the total for 1991 may be lower, which is hardly surprising given the state of the economy and a dismal first half in bid (as well as mezzanine) activity, the second-half trend is up significantly. The continuing recovery of mezzanine will prove that it is not a relic of the 1980s but rather a lasting and constructive addition to traditional debt and equity financing instruments.

It is also important to reiterate why mezzanine in Europe is different from the US. It was developed in Europe first by banks, and now hy specialist funds, as a private, non-traded market with extensive documentation (unlike in America) very much like bank loan agreements. Lender-investors have known from the start that they would have to live with the credit risk for the (6-10-year)duration, with no market in which to unload it.

As to availability it is true that many hank participants have withdrawn, judging it to be a business best run hy specialists using dedicated funds. However there is at least £300m in committed, uninvested mezzanine funds in London and as mnch again oo the continent, so supply is ample.

It is important to note that an analysis of the UK market in isolation can be misleading, because mezzanine investors in the City serve all of Europe and in turn compete with continental investors doing business here. It is now the exception that an MBO or other financing using mezzanine involves a company active in just one national market. Certainly during the last year deal-makers have been most active on pan-European companies more often than had their beadquarters outside the UK.

Erik Linnes,
general manager,
Kleinwort Benson
European Mezzanine Fund,
20 Fenchurch Street, EC1

FINANCIAL TIMES
Tuesday October 29 1991

Partnership first of its kind for British supplier to US aerospace industry

Lucas deal with GM valued at $3bn

By Paul Betts, Aerospace Correspondent, in London

LUCAS INDUSTRIES, the British automotive and aerospace components group, has reached agreement on a long-term partnership with the aero-engine division of General Motors of the US.

The deal could be worth up to $3bn (£1.7bn) in export orders for Lucas during the next 20 years.

This is the first partnership of its kind to be arranged between a British aerospace components supplier and a US engine manufacturer.

The agreement is expected to help stabilise employment at Lucas Aerospace facilities in the UK, protecting about 2,000 jobs.

The UK group has been reducing its UK workforce like other aerospace companies in the face of the fierce competition caused by the downturn in military business and the slump in orders from civil aviation sector.

Lucas said yesterday its aerospace subsidiary had signed a "preferred supplier agreement" with Allison Gas Turbine Division, the aero-engine subsidiary of GM.

Under the terms of the deal, Lucas has been designated as the exclusive supplier of a range of engine components and systems for Allison's new GMA 2100 and GMA 3000 engines.

Sir Anthony Gill, Lucas's chairman, said the agreement was "a very important strategic move although it will not have an immediate impact".

Lucas expects shipments of large volumes of components to Allison to begin around 1995 when a number of aircraft programmes involving Allison engines will enter their production phase.

Mr Tony Edwards, the Lucas Aerospace managing director, said the agreement was a "major breakthrough" in the US market for the company, which has relied heavily in the past on Rolls-Royce and the UK government for work.

Lucas will be supplying fuel systems, gearboxes and other components to Allison for use on a series of commercial and military aircraft.

These include the V-22 Osprey tiltrotor aircraft – a helicopter which converts into a fixed wing aircraft in mid-air – a number of commuter and business jets, and possible re-engining of older military transport aircraft.

Although Lucas could not fix a precise value on the long-term potential of its US partnership, it said Allison had already been selected by five aircraft manufacturers for their new aircraft. These include the Saab 2000, Indonesia's IPTN N250, Cessna's Citation X, the Lockheed L100/C-130 cargo aircraft, and the Embraer EMB-145 regional jet. These programmes represented a potential of more than 5000 engines over the next 20 years, Lucas said.

The UK company estimated the value of Lucas equipment sales on these engines to involve between $70,000 and $110,000 an engine.

At the same time, the overall amount is expected to double with follow-up sales. Additional sales of original equipment and subsequent sales of components for another 20,000 engines are expected to come from military orders.

Lucas was in competition against Smiths Industries and Dowty in the UK, Snecma of France and two US aero-engine components suppliers.

Mr Edwards said about two thirds of the components would be manufactured at Lucas factories in the UK with the rest manufactured et the company's plants in the US.

Violence erupts on eve of Madrid peace talks

Spanish schoolchildren witness tight security around the conference site

TWO CAR bombings in Ankara yesterday left a US serviceman dead and an Egyptian diplomat badly hurt in attacks claimed by an extremist Islamic group to be a protest against tomorrow's Middle East peace talks in Madrid.

Tensions in the region itself were, meanwhile, underlined as the Israeli army announced that two Jewish settlers had been shot dead and five wounded in an ambush on a bus in the occupied West Bank.

Security officials said the attack, near the settlement of Shilo north of Jerusalem, was carried out by Palestinians. According to Israel radio, the bus had been carrying the settlers to a rally in Tel Aviv called to oppose any Israeli withdrawal from the occupied territories.

Riot police in Jordan broke up a violent rally of up to 1,000 people demonstrating against the conference. Egyptian police, meanwhile, arrested up to 310 activists for distributing leaflets denouncing the conference and urging a holy war against Israel, according to a report in the state-owned al-Akhbar newspaper.

The bombings, the first terrorist acts in Europe tied directly to the conference, came as delegates to the talks began arriving in Madrid. The incidents underlined the need for the tight security which Spanish security forces have thrown around the proceedings.

Armoured police and civil guard vehicles stood around the conference centre in Madrid yesterday and at some main junctions in the city centre. Western counter-terrorism agencies have for weeks been in a state of high alert for possible attacks before and during the conference. Negotiations are strongly opposed by a number of extremist Islamic and Palestinian groups – many of which have voiced direct threats to disrupt the talks.

Yesterday, Mr Ali Akbar Mohtashemi, Iran's former interior minister and hardline opponent of the peace process, urged Moslems to interrupt the talks and said Iranians and Moslems were prepared to mount attacks against Israel and the "Zionists", including suicide missions. Quoted by the Lebanese newspaper Ad-Diyar, Mr Mohtashemi described the talks as "grand treachery and a crime against the Palestinian people and the Islamic nation".

He said: "All Moslems should undertake all measures which will hinder the making of such a conference."

Yesterday's Ankara bombings were claimed by a group calling itself Turkish Islamic Jihad, which is believed by western terrorism experts to have been behind several bombings against western institutions and people in Turkey during the Gulf war.

The gronp also claimed responsibility two years ago for a car bombing in Ankara which badly injured a Saudi Arabian diplomat.

Two bombs went off in separate incidents yesterday. One killing Staff Sergeant Victor Marvick, a US airforce computer specialist.

Another exploded under the car of Mr Abdullah al-Korabi, an Egyptian administrative attaché in Ankara, blowing off his leg and injuring his left arm.

Delegates to the talks began flying in to Madrid yesterday. Mr Mikhail Gorbachev, the Soviet president and co-host of the talks, arrived last night, while President George Bush is dua in the Spanish capital today.

Greek PM faces crisis on cabinet reshuffle

By Kerin Hope in Athens

MR Constantine Mitsotakis, the Greek prime minister, faced considerable difficulty yesterday in choosing a successor to Mr Miltiades Evert, the senior cabinet minister he sacked over the weekend.

Mr Mitsotakis faces growing criticism from his party, both over the government's failure to solve serious economic problems and his own image as a leader.

Mr Evert was the third prominent personality to leave the government in the past three months after clashing with the prime minister's inner circle of advisers.

As minister to the prime minister's office, his main task was to implement civil service reforms in accordance with Greece's pledge to the European Community to cut 50,000 public sector jobs by 1993.

Pressure from conservative colleagues to continue the patronage system of filling the civil service with political appointees meant that only e few thousand jobs were cut this year.

Mr Evert's efforts to streamline the administration hy transferring junior employees to fill 10,000 vacancies met with a violent response. Riot police quelled demonstrations at the Agia Sofia children's hospital when medical orderlies refused to take up posts et clinics elsewhere in Athens.

There is no obvious candidate to succeed Mr Evert, though the prime minister is expected to choose e loyal ally for the job rather than risk trying out e younger candidate.

One name being mentioned is Mr Athanassios Kanellopoulos, deputy prime minister, who has held the portfolio in the past.

Mr Evert, 52, nicknamed the "bulldozer" becausa of his burly physique and abrasive style, makes no secret of his ambition to be the next leader of the New Democracy party. His willingness to speak publicly on metters outside his brief, such as foreign policy, annoyed other cabinet members. In private, Mr Evert was critical of the government's handling of foreign affairs, especially on policy towsrds Turkey and the Balkans.

Questioned recently in parliament by the socialist opposition in parliament over two letters he sent to President George Bush on the Cyprus problem, Mr Mitsotakis at first denied their existence.

Last week he was placed in an embarrassing position when a leftwing Athens newspaper published a photocopy of one of the letters showing his signature. Mr Evert must now decide whether to take revenge by joining other dissatisfied conservstives and threatening to overturn the government's two-seat parliamentary majority.

THE LEX COLUMN

Shares and the swing factor

The UK stock market is behaving like e piece of highly flexible elastic. Stretched hard by bad news in one direction, it remains susceptible to being tugged back sharply in the other by the merest hint of better tidings. Hence yesterday's 2 percentage points jump in the FT-SE on the back of little more than a couple of inconclusive surveys calling the bottom of the recession.

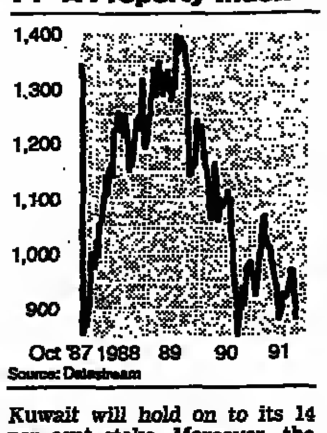
Yesterday's low tnrnover was not commensurate with such a sharp bounce, which suggests the institutions are still reluctant sellers of stock. At least prices now appear to he discounting some of the political risks, the fading hopes of an early economic recovery and the overhang of British Aerospace and other unwanted paper.

But the next fortnight will test even the strongest nerves. British Telecom, Marks and Spencer and ICI will all offer their verdicts on the business climate this week; the chancellor will seek to reassure the faint-hearted (notably in the foreign exchange markets) in his Mansion House speech on Thursday; while all eyes on Thursday week will be on the results of three closely contested by-elections. Somehow it is hard to see politics providing a cheerful message for the market in the immediate future.

All this leaves the fund manager with an interesting choice. Total returns from the UK stock market have averaged 11.5 per cent per annum since 1987 – a period in which the return on cash has averaged more like 12 per cent. Average base rates so far in 1991 have also been 13 per cent – bot even before yesterday's correction, the investor, had he been so minded, could have locked in a nifty 22 per cent gain. It is a reasonable bet that this will keep the trustees happy.

FT-SE Index: 2,558.5 (+43.8)

FT-A Property Index



Source: Datastream

Daimler Benz

They do things differently in Germany. While British Aerospace responded to the leak of its rights issue with an immediate profits warning, Daimler Benz capped last week's promise of higher profits witb open talk yesterday of a cash call.

The logic behind the German company's approach may not be immediately apparent, but at least its rights announcement should not spoil the glow left by Friday's higher divideod hint.

By talking so openly of its plan to raise more capital, the management is displeying implicit confidence that Kuwait will hold on to its 14 per cent stake. Moreover, the issue, which had been widely mooted for this year, will not in fact hit the market till the second half of 1992.

Both these factors ought to support the shares in the short term – as traders recognised in later Frankfurt dealing when they recovered almost all their initial 1 per cent loss.

Thanks to the stronger dollar, the launch of the new S-class Mercedes and the healthy Airbus order-book, Daimler can look forward to bnoyant earnings growth both this year and next. It also appears finally to be getting to grips with its trouhled AEG subsidiary.

Yet higher earnings will not necessarily staunch the outflow of cash. Group net cash is now down to the region of DM4bn and the rights issue will be needed by next year simply to bolster working capital.

That puts tha short-term profits optimism into a slightly different perspective. Daimler Benz may not be anything like as desperate for cash as BAe, but it also has yet to prove that a strategy of diversification into everything from defence to software will pay off in the medium term.

UK property

At least British Land puts its money where Mr John Ritblat's mouth is. That said, Land's £73.1m purchase of a near 60 per cent stake in Rosehaugh Greycoat Estates looks like another in the recent series of one-off UK property deals, rather than a sign of any wider revival in the distressed City of London market.

From Mr Rithlat's point of view, the 8.3 per cent yield being rumoured yesterday is obviously enticing for the well let Finsbury Aveoue buildings, not to mention the considerable satisfaction he will doubtless derive from being Warburg's new landlord. Never mind all the talk earlier in the year about shifting the balance out of the City into retailing, or the stark possibility that rental income from his new portfolio may not see much advance this side of the millenium.

The implications for Rosehaugh of raising some badly needed cash can only be guessed at, given the highly secretive nature of the merger negotietions with Stanhope. Generally, however, the outlook in central London is far from reassuring. Deals can certainly be done in the best locations, but elsewbere rent-free periods and break clauses are increasingly being conceded in an effort to tackle oversupply. With property shares rapidly turning into bond substitutes, after a period as high flying equlties, the main hope for the hulls would seem to be a fall in gilt yields.

News Corporation

It would be difficult for any company which has seen its share price quadruple since the start of this year to resist the temptation to raise some cash from shareholders. When the company is Mr Rupert Murdoch's News Corporation, some explanation is, however, still required. So recently on the brink of a debt abyss, News Corporation suddenly appears locked in a virtuous circle. Its ability so far to meet its stringent deht repayment schedules has opened the way to funding flexibility which should ultimately improve both its debt maturity profile and gearing ratio. That, in turn, should prevent any further disposals at fire-sale prices. More important, Mr Murdoch will have wrested some freedom of manoeuvre back from his bankers.

That may be reward enough to justify a further dilution of his stake below 40 per cent. But it is also a measure of the straightjacket in which the company has been placed by its bankers that he is apparently only now prepared to overcome his previous opposition to such dilution. News Corporation may have managed to cut costs and reduce interest charges, but scope for disposals was never infinite. The media sector recession is still a drag on revenues, even if satellite broadcasting is beginning to improve. The re-rating of the shares could yet turn out to be exaggerated.

Major urges UK companies to promote more women

By Diane Summers, Labour Staff, in London

Leading companies to review opportunities..............Pege 8
Editorial Comment......Pege 20

MR JOHN MAJOR, the UK prime minister, yesterday pledged to push up the numbers of women holding senior public positions. He urged companies to "look to their own self-interest" by recruiting and promoting women workers.

The move formed part of an ettempt to increase his standing with female voters and to counter criticism over his appointment of an all-male cabinet after succeeding Mrs Margaret Thatcher last year.

Mr Major said the current level of 23 per cent female representatioo among public appointments in Britain was "simply not good enough".

Dropping a strong hint that the cabinet could soon see a female member, Mr Major said: "I am asking my cabinet colleagues – at the moment all men but nothing is for ever – to take a close personal interest in this. A minister in each department will be personally responsible.

"They will expect to see women on every shortlist for public appointments or to be given good reasons for the absence of women candidates. I shall want to review progress in e year's time."

The view in Westminster is that Mrs Gillian Shephard, a minister of state at the Treasury, is the most likely candidate for early promotion to the cabinet.

Mr Major was speaking at the launch of an initiative called Opportunity 2000, which is being co-ordinated by Business in the Community, a business-led voluntary organisation. Its declared aim is to see an increase in the quality and quantity of women's participation in the British workforce by 2000.

Mr Major said male managers and employees often liked their "cosy male world" and saw the errival of female employees as "a threat or a bore".

He said: "The time has come to ask why women should need to be prepared to conform to traditional working patterns. Why can't work be organised on a part-time basis, with or with job sharing.".

Reaction to his speech was mixed. Some gronps participating in the project expressed disappointment Mr Major had not taken the opportunity to announce, for example, further tax concessions on childcare provision by employers.

Dubrovnik

Continued from Page 1

history. They have been so shattered by what has happened but morale is high.

"No one can believe that this town, which existed for centuries througb trade and wily diplomacy, can be destroyed."

The army's trail of destruction stops at the entrance to Dubrovnik. Signs posted in the old city invite tourists to visit neighbouring Konavlje, where local folk-culture flourished nntil tha army assault.

Konavlje and other villages along Croatia's frontier with Montenegro, Serbia's ally, no longer exist. Konavlja has been looted, flattened and burnt to the ground by the army. Reservists have moved into the few standing structures.

Despite the defiant mood, Mrs Marojica describes a looming sense of dread. "The economy is dead. This town lived off tourism. People are without jobs and without e future," she said.

Russia braced for massive price rises

Continued from Page 1

1992. There would be strict controls on money supply. Taxes would ba reformed to create e reliable method of collecting revenues for the state which, according to the Economics Ministry, would involva the introduction of value added tax.

Mr Yeltsin promised to privatise 50 per cent of businesses in three months and to close loss-making collective and state farms. However, there would be no immediate privatisation of industrial giants which would remain in state hands in the first stage.

Mr Yeltsin promised that, although price liberalisation would be particularly harsh, results – including a fall in prices – would show through by next autumn. He appealed to the trade unions, which have recently staged warning demonstrations, to show restraint in wage bargaining.

Russia, said Mr Yeltsin, would stop all aid and credits to foreign countries and would cease to finance most central ministries and institutions from November 1, thus ensuring the closure of the still-surviving central ministries.

Mr Yeltsin also issued an ultimatum to the 11 other Soviet republics to follow Russia's lead in radical reform or to go their own way;; Russia could wait no longer. "The period for marking time is over. We are on the brink of economic collapse."

Independent republics would be charged world prices for Russian supplies. But Mr Yeltsin said he still hoped the Ukraine, the second richest republic, would subscribe to a treaty of economic union. He had not lost hope that it would also agree to political union.

Mr Leonid Kravchuk, Ukrainian president, said hopes for an economic union with Ukrainian participation were "Utopian".

WORLDWIDE WEATHER

		°C	°F
Ajaccio	C	19	66
Algiers	S	21	70
Amsterdam	S	8	46
Athens	C	16	61
Bahrain	S	27	81
Bangkok	F	32	90
Barcelona	F	17	63
Beirut	S	23	73
Belfast	F	12	54
Belgrade	F	8	46
Berlin	S	7	45
Biarritz	C	13	55
Bombay	S	33	91
Bordeaux	F	16	61
Boulogne	C	12	54
Brussels	S	11	52
Budapest	S	5	41
Buenos Aires	C	23	73
Cairo	S	27	81
Cape Town	S	20	68
Caracas	C	29	84
Casablanca	S	20	68
Chicago	C	11	52
Cologne	F	9	48
Copenhagen	C	10	50
Corfu	F	19	66
Dallas	R	22	72
Dublin	S	11	52
Dubrovnik		–	–
Edinburgh	C	11	52
Faro	S	19	66
Florence	R	10	50
Frankfurt	S	7	45
Geneva	C	11	52
Gibraltar	S	21	70
Glasgow	S	10	50
Helsinki	C	4	39
Hong Kong	F	21	70
Innsbruck	S	12	54
Inverness	C	9	48
Islamabad	F	29	84
Istanbul	S	14	57
Jakarta	C	33	91
Jersey	F	12	54
Johannesburg	S	27	81
Lima	C	22	72
Lisbon	F	19	66
London	C	13	55
Los Angeles	S	14	57
Luxembourg	C	6	43
Madeira	C	22	72
Madrid	F	13	55
Majorca	S	20	68
Malaga	S	21	70
Malta	R	21	70
Manchester	C	10	50
Manila	C	29	84
Melbourne	S	14	57
Mexico City	R	25	77
Miami	S	21	70
Milan	C	10	50
Montreal	S	3	37
Moscow	C	0	32
Munich	S	5	41
Nairobi	S	26	79
Naples	F	17	63
Nassau	F	29	84
New Delhi	S	27	81
New York	S	12	54
Nice	F	15	59
Nicosia	S	23	73
Oporto	F	17	63
Oslo	C	6	43
Paris	C	13	55
Peking	S	18	64
Prague	S	3	37
Reykjavik	C	8	46
Rhodes	R	17	63
Rio de Janeiro	C	34	93
Rome	F	19	66
Salzburg	S	7	45
San Francisco	S	11	52
Seoul	F	14	57
Singapore	F	32	90
Stockholm	C	7	45
Strasbourg	C	6	43
Sydney	C	17	63
Taipei	R	23	73
Tangier	F	20	68
Tel Aviv	S	23	73
Tenerife	S	24	75
Tokyo	F	18	64
Toronto	C	6	43
Tunis	C	20	68
Valencia	F	20	68
Venice	C	9	48
Vienna	S	4	39
Warsaw	C	4	39
Washington	F	17	63
Zurich	C	6	43

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

Tuesday October 29 1991

INSIDE

Branson to sell new Virgin stake

Richard Branson is hoping to sell up to 25 per cent of his Voyager Travel holding company, which controls Virgin Atlantic Airways, to raise about £50m ($85m) to finance the expansion and development of the airline. "We felt it was a good time to consider the sale of a minority stake to help finance our expansion into new routes," he said. Salomon Brothers, the US investment bank, has been appointed to organise the sale. Page 26

Liffe and LTOM set merger date

The London International Financial Futures Exchange (Liffe) and the London Traded Options Market (LTOM) will merge on January 31 next year, more than four years after plans for the link were first announced. Page 27

Beet farmers seek a sweetener

Britain's three-year drought has caught some sugar beet farmers out: they did not believe the rainfall shortage would last for three seasons and failed to plant extra hectares to allow for the possibility. Now the beleaguered farmers are claiming they are a special case because, under monopoly buyer British Sugar's quota system, their entitlement can be cut in future years. Page 30

No boost yet from JASDAQ

The recent launch of JASDAQ, Japan's automated stock trading system for its over-the-counter market, has failed to provide the boost to trading that brokers had expected. The new system's ability to match buyers and sellers automatically as well as provide price information was seen as a key way to generate higher levels of activity. This has yet to materialise. Page 27

Tighter belts at Moss Bros

British males, faced with tough economic conditions, are buying cheaper suits: Such is the message from Moss Bros, the UK clothing outfitter, where interim pre-tax profits were almost wiped out following smaller margins. Other clues to the nation's well-being are revealed by the fact dress hire for weddings recorded stable demand although the corporate entertainment market was badly hit. Page 26

Gencor plans R2bn cash call

Gencor, South Africa's second largest mining house, yesterday announced a fall in profits for the year to August, but showed confidence in its future by announcing plans for a R2bn ($700m) rights issue early next year. Page 25

Tyne Tees retreats into loss

Tyne Tees Television, the commercial channel covering the north east of England, yesterday announced a pre-tax loss of £2.95m ($5m), compared with a profit of £3.45m, in the six months to end-June. Page 28

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Allianz	2048	+	28	Elex	1788	+	68
Heidelb Zem	979	+	18	Gal Lafayette	1495	+	63
Karstadt	618	+	16	Immob Phenix	167	+	11.2
Lahmeyer	660	+	20	Pernod Ricard	1212	+	47
Falls				**Falls**			
Deckel (Fr)	125	−	5	Imm de France	960	−	40
Varta	282	−	6	Intertechnique	791	−	28
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Borland Intl	52	+	4	Godo Shusei	2080	+	210
Comerica	47⅞	+	5	Navix Line	578	+	48
McDonnell Doug	69¼	+	2	Taiheiyo Kaiun	489	+	44
Man National	37⅜	+	3⅝	Tosco	475	+	41
Repligen	19¾	+	1¼	**Falls**			
Falls				Sakurada	1160	−	90
Compaq	29	−	1¼	Yamada	1020	−	130

LONDON (Pence)							
Rises				Next	53½	+	3½
AssocBrFoods	465	+	15	Rosehaugh	21	+	1½
BLP	41	+	6	TSB	136	+	6
BTR	394	+	14	WPP	64	+	11
Berisford Intl	26	+	3½	Wilding Office	29	+	6
Blacks Leis	109	+	6	Yorkshire TV	166	+	12
Costain	74	+	8	**Falls**			
Eurotunnel	431	+	14	Cook (Wm)	291	−	6
Glaxo	760	+	30½	Davies (DY)	11	−	4
Greycoat	135	+	10	McLaughlin Hvy	85	−	7
Haemocell	184	+	6	TVS Ent	9¼	−	1¾
JLI	137	+	8				
ML Labs	908	+	35				

Finance director predicts DM 2bn cash call sometime next year

Daimler-Benz plans rights issue

By David Waller in Frankfurt

DAIMLER-BENZ, Germany's largest industrial group, said yesterday it was planning a rights issue nex year.

The announcement followed an interview with Mr Gerhard Liener, Daimler's finance director, in a French newspaper. Mr Liener was quoted as saying that the company was considering an equity issue of some DM2bn ($1.1bn) sometime next year, stock-market conditions permitting.

Despite Mr Liener's comments, a statement from the company said that details on the timing, size and other conditions of the issue had yet to be decided.

Analysts believe that Daimler will raise the DM2bn with a 1-for-10 rights issue with the new shares priced at DM500. While the timing depended largely on the strength of the share price next year, analysts said that the cash call would most likely come towards the end of the year. By that time shareholders would have received the previous year's dividend, which Daimler is likely to raise.

Although Daimler has a strong balance sheet, with net cash of approximately DM4bn, the scale of its investment activities in its core businesses means that the group is likely to consume rather than generate cash in the next year, analysts say. Recent acquisitions plus accounting changes – which have forced the company to consolidate its large leasing business – mean that the company's ratio of assets to shareholders' funds has fallen from 34.3 per cent in 1983 to under 26 per cent last year.

Daimler's share price fell yesterday on the news, but on further consideration ended the day down marginally in Germany, and in London closed up on the day.

Brokers said that the prospect of a large rights issue in the latter half of next year was likely to cast a pall over the share price when the company seemed poised to deliver a long-awaited recovery in profitability.

"Next year seemed to be the first time the company was going to deliver anything like earnings growth," said Mr Simon Rowe of Kleinwort Benson in London, reflecting that Daimler's earnings had fallen by one third over the last four years, despite an ambitious diversification programme.

Positive news for the share price seemed to have arrived only last Friday when Mr Edzard Reuter, Daimler chairman, said that the rise in the dollar in recent months had improved the outlook for the company's profits for 1992. As a result, he said, the board was seriously considering increasing the dividend.

Effects of war on oil prices boost RWE

By Christopher Parkes in Essen

THE KNOCK-ON effects of the Gulf war on oil prices gave a welcome lift last year to RWE, the German conglomerate. The oils and chemicals division, recently expanded by the $590m acquisition of Vista Chemicals of the US, contributed handsomely to better turnover and profits. The results were otherwise modest.

Mr Friedhelm Gieske, group chairman, yesterday proclaiming a "good" result for the year to the end of June, said sales increased 12.8 per cent to DM49.9bn ($29.32bn), and profits rose 10 per cent to DM863m. Reorganisation was complete after a swathe of acquisitions.

The oil and chemicals division's contribution to group sales increased 27 per cent to account for more than 40 per cent of the total. Energy, mainly electricity supply, which 10 years ago provided 61 per cent of turnover, last year accounted for 37 per cent.

Oil and chemicals also lifted profits. Revenues from machinery and plant, including the Heidelberger printing press division, slumped from DM240m to about DM135m. The company said the difference was mainly because of a one-time tax break in 1989-90, although severe difficulties in the printing machinery business were underlined last week when MAN Roland, the world's second-biggest manufacturer, put a third of its workforce on short-time.

Profits from energy rose DM2m to DM314m. Income from mining was up DM3m and construction contributed DM40.6m against DM38m. Oil and chemicals made DM273m against DM121m.

Mr Gieske said that waste management, a new division demanding heavy investment, was the only main business area in which the group made a loss.

In the first three months of the current year group sales were 14 per cent up on 1990 – 10.5 per cent after stripping out the Vista contribution – and operating results for the full year were expected to be at least as good as in 1991, he said.

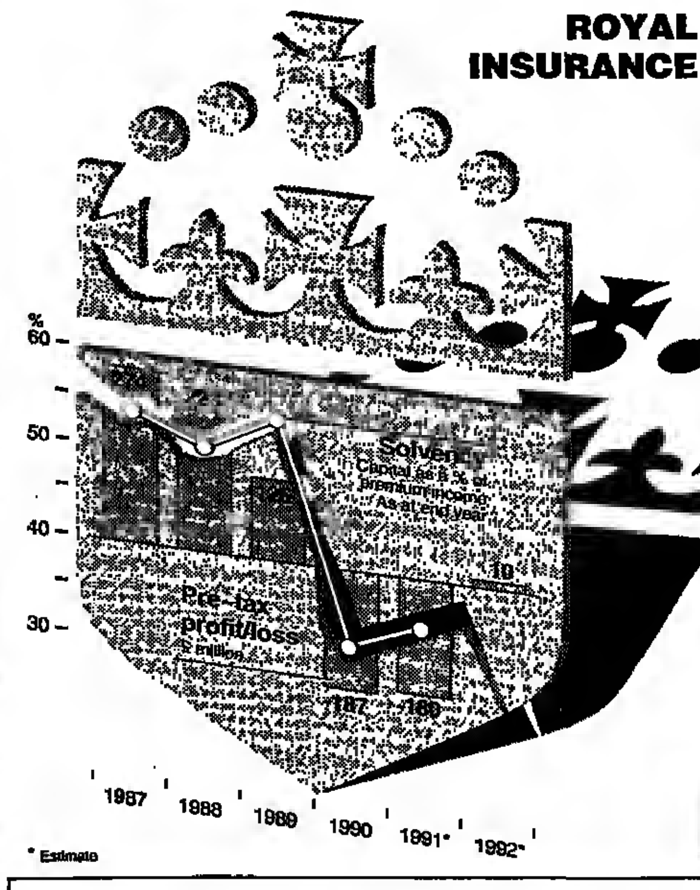
Announcing earnings per share of DM25.10, compared with DM24.60, he said the dividend would be increased by DM1, the third such increase in a row, to DM11. Continued dividend growth at that rate could not be guaranteed.

Negotiations with Du Pont of the US to buy 50 per cent of its Consolidated Coal subsidiary were continuing.

He complained about the lack of an energy policy for Germany. Plans for RWE to invest DM8bn in the east, nearly a third of its five-year investment budget, were blocked by uncertainties over the future of brown coal in the energy mix.

Royal's troubles hit market's confidence

Concern over mortgage indemnities increases pressure to reduce costs and re-focus, says Richard Lapper



Judging by the market response to two results downgrades last week, confidence in Royal Insurance, the most battered of the UK's general insurers, is at an all-time low.

Royal's share price, which had already fallen by more than a quarter since its mid-year results were announced in August, fell last week to 297p, a 1991 low, shaving 11 per cent off its market capitalisation.

Mr Roy Randall, head of corporate relations at Royal, says that the market has over-reacted. Even Mr Chris Pountain, analyst with Morgan Stanley, who said last week that he expected Royal to cut its dividend at the end of this year, says he was surprised by the extent of the market's response.

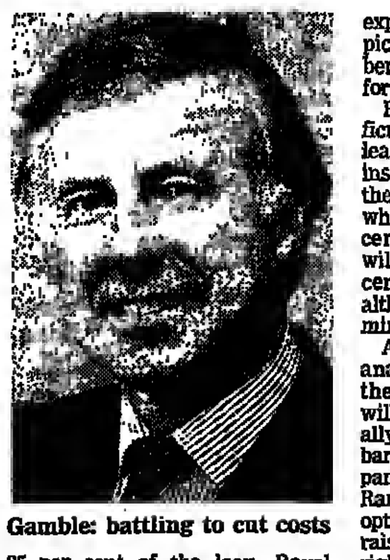
Yet amid fears that Royal's exposure to mortgage indemnity losses could be greater than first feared, the decline has revived speculation that the company may be forced to raise capital to maintain its solvency at adequate levels.

Although a rights issue may be out of the question in present circumstances, analysts suggest Royal may be prepared to float part of its life insurance subsidiary or sell its stake in the German insurer, Aachener & Munchener, to raise cash.

Under the leadership of Mr Richard Gamble, the former British Airways deputy finance director, Royal has battled to reduce costs and re-focus its strategy after running into difficulties in the US and the UK during the 1980s. Like other other UK insurers, the company has been affected by worsening recession and weather-related claims.

Subsequently, concern has centred on Royal's domestic mortgage indemnity insurance (DMI) which covers the mortgage lenders against the possibility that a building society or other lender that repossessed a mortgaged property may be unable to recoup the full value of the outstanding loan from its sale.

Most policias cover lenders against losses equivalent to 25 per cent of the loan. Royal posted DMI losses of £43m in the first half but later in the summer it emerged that two companies, Eagle Star and Legal & General, which both have smaller shares of the domestic mortgage indemnity market than Royal, were posting higher losses. Eagle Star, for example, which has a market share of 15 per cent compared with Royal's 20 per cent, said it was making provisions to pay DMI claims of £121m.



Gamble: battling to cut costs

The length of time elapsing between the mortgage default and a claim being lodged makes the calculation of overall exposures difficult. Estimates of the size of DMI losses vary. Mr Pountain predicts that Royal will lose £70m in the second half of 1991 and a further £100m in 1992, outcomes which would keep Royal in the red well into next year. Mr Youssef Zaia, analyst with UBS Phillips & Drew, is more pessimistic, predicting DMI losses could be £500m in 1991 and 1992.

Mr Randall says that Royal is making a detailed examination of DMI policies sold via its link with the Leeds Permanent building society – the biggest mortgage lender with which it does business, accounting for about a third of its total DMI sales. Royal expects to have a more detailed picture of its exposure on November 14 when it announces results for the third quarter of 1991.

Heavy losses would present difficulties for Royal, which has the least healthy solvency of any UK insurer. Mr Youssef believes that the solvency ratio, the yardstick which measures capital as a percentage of premiums received, will fall to well below the 30 per cent mark – a level, which although nearly twice the legal minimum, is considered too low.

According to Mr Peter Jones, analyst with Olliff & Partners, the "current solvency margin will require some action eventually". With third quarter results barely a fortnight away, the company declines to comment but Mr Randall recognises it has several options which would allow it to raise money without resort to a rights issue. "The market is tunnel-visioned," he says.

Mr Jones says that Royal has undervalued assets that make a traditional rights issue the "least likely" option. These include:

- A sale of its strategic stake in Aachener & Munchener, which could be securitised, as a loan-stock convertible into A & M at a premium price.
- The company could choose to issue a convertible preference or debenture at the quoted holding company level. This would allow it to pass down debt to its insurance subsidiary as equity to raise the statutory ratio.
- Royal could consider a partial flotation of its life insurance subsidiary, Royal Life, in which it would sell a minority stake of at least 25 per cent of the life company. Including the embedded value – future profits contained within the company's life fund – Royal Life would have a value of more than £1bn. Royal would hope that this would be reflected in the market price.

Although unusual in the UK such operations have been more common on the continent. Significantly Aachener & Munchener, Royal's German partner, sold a stake in its life subsidiary, AMB Lebens, in the summer.

BAe rights issue expected to flop

By Norma Cohen, Investments Correspondent, in London

THE RIGHTS ISSUE by British Aerospace (BAe) is expected to be one of the most spectacular flops in British corporata history, with only 5 to 6 per cent of shareholders choosing to buy new shares.

The £432m ($734m) rights offering is the largest failure since British Petroleum's offering was interrupted by the stock market crash of October 1987.

Not one major institutional shareholder is believed to have taken up its right to buy the new shares. However, they will be forced to acquire an estimated 110m shares in their role as underwriters.

The only investors expected to have exercised their rights are small shareholders.

The issue's failure delivers a heavy blow to BAe's beleaguered management which has spent the past three weeks attempting to promote the issue on the basis of its strategy for the group.

BAe, the UK's largest defence contractor, is assured of the money it needs to strengthen its balance sheet because the issue is fully underwritten. But the low take-up will put the company under intense pressure to strengthen its management, dispose of non-core businesses and revise its strategy.

It entered the rights issue with a strategy to stick with four core areas – civil aerospace, military contracts, motor manufacturing and property development.

Shareholders have since been told that the company intends to retain only three core businesses; its Rover car company, its stake in Airbus Industrie and its defence businesses.

It intends to run down its commercial aircraft business – maker of AB-146 and executive jets – while shifting manufacture of its A-319 aircraft to its Airbus subsidiary.

It hopes to sell its properties individually, putting only limited refurbishment funds into those which have the most commercial potential.

It will look for buyers of its satellite businesses and is expected to seek a buyer for its Royal Ordnance unit.

A fund manager with a 2 per cent stake in the company said: "I'm surprised that anyone would take up their rights. Why buy shares at 380p when you can buy them for a lot less in the market?"

BAe's share price closed yesterday at 369p, 11p below the rights offer price. Hoare Govett, brokers to the issue, will announce the details of the take-up later today.

Mexico sells 51% stake in Bancomer

By Damian Fraser in Zacatecas, Mexico

THE MEXICAN government has sold 51 per cent of Bancomer for $2.55bn, making it Mexico's biggest bank in terms of market capitalisation.

A group of investors, from the financial services group Valores de Monterrey (Vamse), and headed by Mr Eugenio Garza Laguera and Mr Ricardo Guajardo, paid 8,296.08 pesos a share. This valued the bank at $5bn, 2.99 times its book value.

A group of regional investors have the right to buy up to a further 25 per cent of the bank's shares. If the option is taken up, the government will receive $3.85bn for 76 per cent of Bancomer. The privatisation of Banamex, the largest bank privatisation to date, raised $3.2bn.

Grupo Vamsa is wholly owned by Grupo Visa, in turn controlled by the Garza Laguera family. Visa is one of Mexico's largest conglomerates, controlling, among others, Femsa, the beer and soft drinks company.

Vamsa's life insurance company, Seguros Monterrey, is the largest life insurance group in Mexico. It is likely to combine the back offices of Seguros Monterrey with those of the bank, achieving some economies of scale in processing transactions.

The next highest bid, placed by the brokerage Operadora de Bolsa, was 4.5 per cent lower than Vamsa's.

Bancomer is the eighth Mexican bank to be sold in a bank privatisation programme that has raised $8bn. All the banks have been sold for more than 2.5 times book value, an average higher than usually found in bank purchases in the US and Europe.

Bancomer has assets of $25.9bn, $4bn less than Banamex. Bancomer nevertheless fetched a higher multiple of book value (2.99 compared with 2.62) in part because four powerful financial groups bid for Bancomer, against two for Banamex.

Bancomer has about 760 branches against Banamex's 725, and holds 26 per cent of Mexican deposits. It is also regarded as better positioned than Banamex in the important retail and mid-level corporate market.

Mexico has 19,000 people per bank branch, against for example 6,000 people per branch in Portugal. As economic growth picks up, the demand for consumer banking services is likely to grow rapidly. At the end of 1990, consumer credit in Mexico comprised just 9 per cent of total loans, compared with roughly a quarter in the US and the UK.

Elkem plunges further into loss

By Karen Fossli in Oslo

ELKEM, the Norwegian light metals producer, plunged deeper into the red, before extraordinary items, in the first nine months of the year.

The company blamed the loss of NKr367m ($55.1m), against a NKr40m deficit in the previous corresponding term, on difficult market conditions for its main products which continued throughout the third quarter of the year.

Mr Fredrik Vogt Lorentzen, Elkem's president, warned that a reduction in price of NKr2,000 per tonne from December 1988 to December 1990 for silicon metals was expected to rednce ennual income by about NKr200m. The group has an annual silicon metal production capacity of 110,000 tonnes.

Elkem also warned that markets for main products are subject to ovar-capacity and unusually high metal stock levels causing uncertainty abont when an upturn in the world economy would lead to a better market balance for its products.

One bright spot for the company was a NKr179m gain from the sale of its 50 per cent shareholding in Alcoa Nederland Holding. This reduced pre-tax net losses in the first three qnarters of this year to NKr188m.

Gronp sales in the period were reduced by NKr252m to NKr5.86bn, however, while an operating loss of NKr97m was experienced, compared with an operating profit of NKr82m in the corresponding period last year.

Elkem said it had lost "considerable" market share in ferro-alloys as western steel production during the third quarter of the year fell by 1.4 per cent. But a "considerable" portion of Elkem's aluminium production had been sold forward at higher prices.

Elkem said it had stopped prodncing manganese in Beuharnois, Canada.

"In light of the market situation, we have found it appropriate to implement further production reductions during the fourth quarter at several of our plants," Elkem warned.

To this end, closures in Norway include three ferro-silicon furnaces; a manganese smelting plant and a silicon metal plant. For Europe, Elkem said that it was barely operating at 70 per cent capacity utilisation. Elkem said a new review of its organisation was under way focusing on central administrative functions, plant staffing, sales and research and development.

"This will lead to further reductions in manning which will primarily he achieved through normal staff reductions and early retirement. Redundancies, however, may also be necessary," Elkem warned.

This means cutting staff by 1,000 from 7,430 in January to 6,430 by December.

Alfa Laval falls 16% after financial items

ALFA LAVAL has reported a 16 per cent fall in profits, after financial items, to SKr784m for the first eight months of 1991 writes Robert Taylor.

The Swedish dairy and food processing equipment company, acquired earlier this year by the Swiss-based liquid packaging group Tetra Pak, said invoiced sales had risen 4 per cent in the psriod to SKr10.88bn from SKr10.43bn a year earlier.

Enso-Gutzeit suffers FM383m deficit

ENSO-Gutzeit, Finland's fourth biggest forest group, fell into the red in the first eight months of the year following difficult international trading conditions, particularly for paper sales to the Soviet Union and UK, writes Enrique Tessieri in Helsinki.

The state-owned group reported a loss before taxes, minority interests and extraordinaries of FM383m ($92.5m), against a profit of FM381m in the corresponding period last year. Losses before extraordinary items fell to FM407m from a profit of FM282m. Extraordinary items during the period include FM20m from the sale of shares in a subsidiary company.

Operating margin fell to FM740m from FM1.04hn, accounting for 12.2 and 15 per cent of sales respectively. Losses per share dropped to FM2.84 from a profit of FM1.97.

Consolidated sales slipped to FM6.09bn from FM6.93bn. Enso-Gutzeit said that the fall in turnover was also attributable to technical problems following certain machine rehuilds, and to losses incurred in the transport workers' strike last June.

Enso-Gutzeit's result was also strained by FM289m in foreign exchange losses and FM413m in net interest payments.

COMPANY NEWS IN BRIEF

ROYAL Trustco, the Canadian trust company, has reported lower-than-expected profits, mainly due to higher loan loss provisions, writes Robert Gihbens in Montreal. But it is maintaining its 18.5 cents a share quarterly dividend.

Third-quarter profit was C$33m (US$29.3m), or 10 cents a share, down from C$45m, or 19 cents. Nine-month profit was $115m, or 42 cents, against C$186m, or 97 cents. Loan loss provisions were $112m, up from $48m.

■ Nikon, the leading Japanese camera-maker which is part of the Mitsubishi group, posted a 43 per cent fall in first-half unconsolidated pre-tax profits to Y5.5hn ($41.9m), writes Emiko Terazono in Tokyo.

This was due to a fall in retail prices for cameras and foreign exchange losses caused hy the appreciation of the yen. Sales edged ahead to Y122.2bn while after-tax profits fell 59.3 per cent to Y2.4bn.

■ Pitney Bowes, the leading US supplier of mailing equipment and retail and office systems, has reported third-quarter net profits of $72m, or 90 cents, on revennes of $813.9m, writes Rivka Nachoma in New York. This compared with net income of $11.8m, or 15 cents, on revenues of $799.7m a year earlier.

Nine-month net income was $207.4m, or $2.60, on revenues of $2.4bn against net income of $131.9m, or $1.66 a share on revenues of $2.3bn in 1990.

■ Allied-Signal, the diversified industrial group, posted a third-quarter net loss of $540m, or $3.94 a share, against a net profit of $105m, or 76 cents, in 1990, writes Rivka Nachoma.

The 1991 earnings include one-time pre-tax write-offs of $880m for previonsly-announced restructuring costs. Excluding these, net earnings for the quarter were $80m. Net sales fell to $2.88hn from $2.96hn.

■ Stone Container, a leading US producer of paper products, reported a third-quarter net loss of $13.4m, or 22 cents a share, on sales of $1.36bn, writes Rivka Nachoma. This compared with a net profit of $19.7m, or 33 cents, and sales of $1.43bn last year.

After nine months, the net loss was $12.3m, or 20 cents a share, with sales of $4.03hn. For the same period last year, net income was $86m, or $1.43 a share, on sales of $4.3bn.

■ Grumman, the largest US producer of carrier-based aircraft, reported third-quarter net income of $22.7m, or 66 cents a share, against $25.6m, or 75 cents, writes Rivka Nachoma. Sales were unchanged at $1.0bn.

Nine-month net income was $74.8m, or $2.17, against $68.8m, or $2.00, on sales of $1.3bn against $1.2bn.

■ Lower nickel prices and a higher provision for deferred taxes cut the third-quarter net earnings of PT International Nickel Indonesia by 29 per cent, writes Kenneth Gooding, Mining Correspondent. The company was floated on the Jakarta stock exchange in April last year.

The fall to US$13.9m, or 5 cents a share, from US$19.6m, or 8 cents, would have been greater except that prodnction of nickel in matte – an intermediate material – reached a record 21.2m pounds in the quarter, up from 13.3m pounds in the third quarter last year.

Hungarian hotels sale delayed by six months

By Nicholas Denton in Budapest

THE flotation of Danubius, the Hungarian state-owned hotel chain, has been postponed for six months, delivering a severe blow to the country's ambitious privatisation programme and nascent stock market.

The privatisation of Danubius was undermined at the last minute by a controversial government decision to remove the tax relief on investment credits granted to hotels.

Coming against a background of depressed investor demand, the tax change stopped plans for an autumn offer of shares to western institutional and Hungarian individual investors via a flotation on the Budapest Stock Exchange (BSE).

"The planned flotation should be postponed while the relative merits of all other options for privatisation are reconsidered," the State Property Agency (SPA), the privatisation authority, said yesterday.

"This is a serious failure in the history of Hungarian privatisation; this would have been an important step," said Mr Karoly Szabo, SPA deputy director.

Danubius, which increased pre-tax profits by 70 per cent to Ft969m ($12.8m) in 1990, was the flagship of the country's First Privatisation Programme. Western advisers had hoped that the issue would provide a breakthrough for institutional investment in Hungary.

Mr Peter Rajcsanyi, an SPA director, said that the 20 companies in the programme were now unlikely to go to the stock market in the foreseeable future.

Ibusz, the national travel agency floated on the Budapest bourse in June last year, remains the only significant privatised company on the Budapest exchange.

Undermined by the continuing conflict in neighbouring Yugoslavia and disappointing company profits, the BSE index closed at 804.7 yesterday, close to its all-time low and about a third down since March.

Rhône-Poulenc Rorer lifts net profit sharply to $80m

By William Dawkins in Paris

RHONE-POULENC Rorer, the pharmaceuticals company formed last year when Rhône-Poulenc, the French state-owned chemicals group took control of Rorer, the US drug producer, yesterday reported a sharp rise in quarterly earnings.

Net profits rose to $80m in the third quarter, more than three times the $24m reported in the same period of 1990, on sales up to $862m from $838m. Adjusting for exchange rate changes and the sale of non-strategic products, the underlying growth in turnover is 14 per cent.

This brings net profits in the first nine months of the year to $202m, compared with $56m in the comparable period a year earlier. The group attributed the third-quarter improvement to strong increases in sales of its plasma derivatives and ethical drugs in the US. It maintained its French market position despite a slowdown in demand for prescription drugs.

The group made a $69m exceptional profit during the quarter from asset sales but most of that was wiped out by a $60m restructuring charge in Britain, Germany and the US, which completes the provisions announced last year.

Earnings per share rose from 18 cents in the third quarter of 1990 to 58 cents in the same period this year.

● Compagnie Générale d'Industrie et des Participations (CGIP), the French holding company of the Wendel family, yesterday reported a profits rise for the first half and said 1991 net earnings would match last year's.

Net profits, excluding exceptional gains rose 6 per cent over the first six months of last year to FFr315m. Both of CGIP's main investments, Cap Gemini Sogeti (CGS), Europe's leading software company and CMB Packaging, the Franco-British packaging group, have known difficulties recently, but CGIP emphasised that it was pleased with their performance.

CGS last month announced a 36 per cent fall in first-half pre-tax earnings, while CMB has had to make changes in its top management following disagreements over management style. CMB's net earnings rose by nearly 9 per cent in the first half.

Mr Ernest-Antoine Seillière, CGIP's chairman, said: "Despite difficult economic conditions, we are pleased with the performance of the companies in the CGIP group. All of our companies have been working hard to strengthen their domestic and international competitive positions."

He said the recent link-up between CGS and Daimler-Benz, the German industrial giant, should allow CGS to strengthen itself internationally. Last July, CGS announced the sale of a minority stake in itself to Daimler-Benz, as part of an accord with the German group's computer services unit.

Danieli tumbles to L44bn on industry downturn

By Haig Simonian in Milan

DANIELI, the Italian maker of steel-producing plant, suffered a sharp drop in group profits to L43.9bn ($34m) in the 1990-91 financial year, from L61.5bn the previous year.

The fall stems from write-offs on foreign orders and tougher business conditions due to the downturn in the world steel industry.

The group implied it saw little chance of an upturn for at least the next 18 months. However, profits look set to remain stable thanks to the cushion of heavy provisions, said one analyst.

Sales remained virtually static at L771.9bn, against L767.1bn in 1989-90.

Despite the earnings decline, the group is paying an unchanged dividend of L220 and L240 for ordinary and savings shares, respectively.

Mr Gianpietro Benedetti, managing director, said orders in the opening months of the current financial year had been "in line with the previous year". However, both he and Mrs Cecilia Danieli, chairman, indicated they saw little immediate upturn in sight.

That outlook contrasted with the group's more optimistic view earlier this year, when executives presented the continuing downturn in the steel industry as likely to trigger orders for more modern and efficient plant.

Yesterday, the group gave a bleaker picture, notably regarding the continuing postponement of recovery in the US. Soundings from customers had obliged Danieli to postpone its forecasts for a recovery in US demand to mid-1992 at the earliest.

Meanwhile, conditions in eastern Europe and the Soviet Union have become much more complicated as a result of the political upheaval.

The move to smaller and more independent economic units promised ample future business for Danieli's "mini-mill" steelmaking plant.

Ford and Mazda in production pact

FORD of the US and Mazda of Japan are negotiating a deal for the US car maker to manufacture cars at its European plants for sale under the Mazda badge in Europe, writes Kevin Done in London.

The vehicles would be distributed through Mazda's European sales network. Ford of Europe said yesterday that it hoped to finalise an agreement in the next couple of months.

Ford and Mazda, in which Ford holds a 25 per cent equity stake, had earlier failed repeatedly to reach agreement on a joint venture, in the face of Ford of Europe's insistence that any project should be mutually beneficial.

Under the terms of a deal agreed by the European Commission and the Japanese government during the summer, direct exports of Japanese cars and light commercial vehicles to the EC will effectively be frozen for a seven-year transition period from the beginning of 1993. Virtually all the growth in Japanese new car sales in the EC will come from local production.

INTERNATIONAL COMPANIES AND FINANCE

Eastman Kodak returns disappoint Wall Street

By Karen Zagor in New York

EASTMAN Kodak, the world's biggest producer of photographic equipment, yesterday turned in disappointing third-quarter results with lower operating income in all four of its major business segments.

Wall Street reacted by marking Kodak's stock $1 lower on the news. By mid-session, the stock had recovered slightly, for a net loss of $⅛ to $45⅝ in heavy trading.

Excluding a previously-announced after-tax restructuring charge of $435m, Kodak's third-quarter operating earnings fell 18 per cent to $388m, while underlying net earnings dropped 11 per cent to $317m, excluding the 1990 settlement with Polaroid.

Including one-time items, Kodak had a third-quarter net loss of $118m, or 37 cents a share, against a net loss of $206m, or 38 cents, a year ago. Sales improved 3 per cent to $4.93bn from $4.77bn.

For the first nine months, Kodak had net income of $417m, or $1.28 a share, against $377m, or $1.16, on sales which rose to $7.39bn from $7.3bn.

Mr Kay Whitmore, Kodak's chief executive, said the company was resolved "to do what is necessary to bring about fundamental improvement in 1992 and beyond".

The company is already taking steps aimed at improving its performance, including streamlining its core imaging business and shedding 3,000 jobs.

Some analysts, however, are critical of Kodak's strategy of increasing spending on research and development (R&D) and marketing in what is seen as a mature market.

During the quarter, Kodak's sales, advertising, distribution and administrative expenses rose 10 per cent to $1.37bn, while R&D spending grew 13 per cent to $367m. Kodak has said it plans to spend about 29 per cent of its sales revenue on advertising.

Mr Alex Henderson, an analyst at Prudential Bache Research, believes Kodak's aggressive spending on R&D and advertising will leave it with a bloated cost structure. He expects Kodak to earn $4.10 a share next year, and will probably reduce his 1991 earnings estimate to $3.50.

Earnings from Kodak's imaging operations before restructuring costs fell 15 per cent to $412m in the quarter although sales advanced 5 per cent to $1.94bn. Information business had a $20m loss compared with income of $2m, on sales 7 per cent down at $911m.

Chemicals saw a 26 per cent drop in income to $121 on sales up 5 per cent to $933m while Kodak's health business had earnings of $175m, down 5 per cent, on sales which grew 6 per cent to $1.21bn.

Xerox dips 2% in third quarter

By Martin Dickson

XEROX, the US document processing group, yesterday reported a 2 per cent dip in third-quarter income from continuing operations and said it needed a stronger US economy for a resumption of equipment sales growth and improved earnings.

Income totalled $121m, or $1.06 a share, from continuing operations, against $123m, or $1.08, in the same period of 1990. Revenues were $4.3bn. The figures compared with net income of $132m, or $1.16 a share, in last year's third quarter when income was included from the group's discontinued third-party financing business.

Income from the document processing side totalled $117m, against $131m, on revenues up 1 per cent at $3.33bn.

Mr Paul Allaire, Xerox's chairman, said lower end, less expensive copiers and printers continued to show strong growth worldwide. But while there had been some improvement in European and Latin American operations, US sales of higher end equipment, which required greater customer investment and had a longer selling cycle, continued to be hurt by the current state of the US economy.

Investments supporting the roll-out of new products meant increased costs for the quarter.

Earnings from insurance and financial services operations totalled $51m against $32m in the same period last year.

Nine-month net operating income was $383m, or $3.18 a share, against $358m, or $3.11, last year which was restated for discontinued real estate and third party financing businesses. Nine-month revenues were $9.98bn and $9.67bn.

Comerica and Manufacturers Nat'l to merge

By Alan Friedman in New York

COMERICA and Manufacturers National Corporation, two mid-western banks, are planning to merge and create a combined entity with nearly $27bn of total assets and a strong position in the Michigan banking market.

The Detroit-based Comerica will grant shareholders of Manufacturers 0.81 Comerica shares for each Manufacturers share. The merger will result in the elimination of about 1,800 of the 13,500 jobs in the combined bank and the reduction of about 60 of the 348 branches resulting from the merger.

Comerica currently has $14.3bn of assets and Manufacturers $12.5bn. The two banks say they will not require any new capital to complete the merger, but expect to take a one-time restructuring charge of $105m to $115m.

Continental Air to sell Air Micronesia operation

By Nikki Tait in New York

CONTINENTAL Airlines, the bankrupt US carrier which has been in talks with various potential partners, is selling its Air Micronesia operation for $270m in cash, plus $20m in preferred stock.

The disposal of the business, in which Continental held a controlling stake, had been expected for months, and the price is much as anticipated. The deal includes the Continental/Air Micronesia route authorities between Guam and various destinations in the mid-Pacific and Far East, together with gates, landing slots, maintenance and airport facilities.

The purchaser, Pacific Micronesia Corporation – whose shareholders, in turn, comprise Arral & Partners, a Hong Kong-based bank, and United Micronesia Development Association – will also have the right to lease 15 aircraft operating on the routes; use the Continental name in conjunction with the operation; and code-share.

Continental, which said that it hopes to close the deal in early 1992, stressed that its operation between Honolulu and Tokyo, and in the South Pacific (including New Zealand and Australia) would not be affected.

Continental filed for protection under Chapter 11 of the US bankruptcy code a year ago. There have been management changes recently, and the airline has faced increasing pressure to find a merger partner. Talks with Northwest Airlines have been viewed as the most promising. But Northwest, in which KLM has a small stake, has been rumoured to be involved in a possible link between the Dutch carrier and British Airways.

Dofasco in the red

DOFASCO, Canada's biggest steel maker, posted a third-quarter loss of C$10.1m, or 24 cents a share, against profit of C$7.1m, or 1 cent, a year earlier, writes Robert Gibbens in Montreal. Sales dipped 18 per cent to $498m.

After nine months, the loss was C$23.8m, or 64 cents, on sales of $1.5bn, against profits of $44.8m, or 38 cents, on sales of $1.77bn.

Colgate in $105m deal

COLGATE-Palmolive, the US consumer products group, has bolstered its position in the world oral hygiene market with the $105m purchase of Plax international, an anti-plaque mouthwash business, from Pfizer, the US pharmaceuticals group, writes Martin Dickson.

Plax claims to be the leading mouthwash outside the US, with an average market share of 30 per cent in the 35 countries where it is sold. Pfizer will continue to market the product in the US, Canada and Puerto Rico.

A strategic aim of Colgate-Palmolive, best-known for its Colgate toothpastes, is to increase its range of products in the oral hygiene market over the next decade.

Plax international has sales of $70m.

Earnings at Boeing improve 6%

By Martin Dickson in New York

BOEING, the US aircraft manufacturer, yesterday reported a 6 per cent increase in third-quarter earnings and said the world's economic slowdown was still having a relatively minor impact on its order book.

Earnings were $401m, or $1.17 a share, against $378m, or $1.10, in the same period of 1990. Sales totalled $7.66bn, up from $7.18bn.

Nine-month earnings totalled $1.16bn, or $3.39 a share, up from $1.07bn, or $3.09, on sales up from $20.58bn to $21.56bn. The figures were in line with Wall Street expectations.

Boeing's chairman Mr Frank Shrontz (pictured above) said the earnings gains for both the quarter and nine months stemmed from increased commercial aircraft sales, lower operating losses in its defence and space businesses, and a lower US tax rate.

This was partly offset by higher research and development spending, mainly for the new 777 wide-bodied jet due to come into service in the middle of the decade, and substantially lower other income. R&D spending in 1991 is expected to total $1.5bn, up from $827m last year.

The company's firm order backlog stood at $95.9bn at the end of the third quarter against $97.2bn at end-1990. Of that, some $91.4bn was for commercial customers, virtually unchanged from 1990, and $4.5bn for the US government, down from $5.7bn.

Mr Shrontz said Boeing expected an operating loss for its defence and space business in 1991, but this would be significantly lower than in 1990 and a return to profitability was expected in 1992.

● Japan Airlines yesterday said it had decided to order 20 Boeing 777s, worth roughly $2bn, but had not yet chosen an engine.

Sharp reverse at Hino Motors

By Robert Thomson in Tokyo

HINO Motors, Japan's leading truck manufacturer which is part of the Toyota Motor group, yesterday blamed a sharp reduction in sales to south-east Asia for a 46.2 per cent fall to Y7bn ($53.4m) in first-half pre-tax profit.

Total sales for the latest period fell 1.6 per cent to Y315.3bn, though domestic sales showed steady growth and sales for the year to end-March are expected to be Y637bn, a fall of 1.3 per cent from last year.

Hino predicts a pre-tax profit for the year of only Y10bn, down from Y20.1bn.

Pancontinental chief quits as takeover bid looms

By Kevin Brown in Sydney

MR TONY GREY, the founder and chairman of *Pancontinental Mining*, the Australian diversified miner, has resigned from the board, two months after the sale of the group's Jabiluka uranium deposit to Energy Resources of Australia (ERA).

Mr Grey founded Pancontinental to develop the huge Jabiluka deposit, but failed to persuade Australia's Labor government to relax controls on uranium mining which prevented development.

The deposit was sold to ERA for A$125m (US$99.2m) after Pancontinental came under pressure to reduce its debts. ERA, a subsidiary of North Broken Hill Peko, operates a uranium mine at Ranger, a few miles from Jabiluka in the Northern Territory.

Speculation that a takeover bid for Pancontinental may be imminent increased last week after Cogema, the French state-owned electricity generating group, said it had asked the government for permission to increase its 14.9 per cent stake. Cogema bought its Pancontinental holding two years ago to gain access to Jabiluka. Foreign shareholdings of more than 15 per cent require federal government approval.

Cogema is thought to have paid around A$2.40 a share for its stake. Pancontinental shares have slumped since the sale of the deposit. They closed last night at 81 cents. Pancontinental has gold assets in Western Australia and West Africa, and is developing a large magnesite project in Queensland. The company reported a net loss of A$106m last year.

● Poseidon Gold, part of Mr Robert Champion de Crespigny's Normandy Poseidon group, has taken the unusual step of cancelling a purchase of 10.3m shares in ACM Gold, formerly part of the Australian Consolidated Minerals (ACM) group.

Poseidon Gold bought the shares on the stock market after Normandy Poseidon gained control of about 40 per cent of ACM Gold through a joint takeover of ACM with Western Mining.

However, ACM Gold shares rose from 38 cents to 51 cents last week following the announcement of a big gold discovery by North Flinders Mines, a 49 per cent associate.

Poseidon Gold said it had bought the shares after the announcement of the discovery, and had paid a premium to the market price. It was concerned that some sellers "had not been made aware of the significance" of the discovery.

The company said it was "committed to maintaining the highest corporate ethical standards". It said the cancellation was intended to "enhance its standing with institutional investors".

Gencor plans rights issue despite fall

By Philip Gawith in Johannesburg

GENCOR, South Africa's second largest mining house, yesterday announced a drop in profits for the year to August but showed confidence in its future by announcing plans to hold a R2bn rights issue early next year.

The decline in attributable income to R1.4bn ($490m) from R1.48bn, which compares favourably with other international resource companies, was largely due to continued weakness in the international economy, reflected in poor demand for commodities and lower export prices. For the first time in many years, there was also no boost to earnings from a depreciating rand.

Although downward pressure on profits is expected in the year ahead, the dividend has been lifted by 7.5 per cent to 43 cents a share, reflecting a long-term view on the trend in total returns. Earnings per share were 119.5 cents, compared with 125.8 cents.

Weak demand for commodities is reflected in the earnings from Genmin, the holding company for Gencor's mining and mineral interests, which declined to R482m from R624m, still the largest contributor to group earnings, but down to 35 per cent of the total from 42 per cent. Sappi, the pulp and paper products group saw its share of earnings drop to 11 per cent, or R154m, from R240m (16 per cent).

Better performances came from Malbak, holding company for Gencor's industrial interests, and Engen, the integrated energy company in the group. Both lifted their share of attributable income, respectively from 8 to 9 per cent and 14 to 17 per cent.

Genbel, the group's mining finance and investment arm, lifted its proportion of group earnings to 30 per cent (R428m) from 22 per cent, the result of the improved quality of its portfolio and substantial transaction surpluses, mostly from the sale of gold shares.

Although growth from Gencor is not expected in the year ahead, Mr Derek Keys, executive chairman, predicted "spectacular" growth when market conditions improve. He said this would flow from increased capacity and the improved comparative cost position of many of the group's operations.

The rights issue is aimed at replenishing funds which have been depleted by Gencor funding the expansion of its subsidiaries. Further large drains on cash will come in the form of the Columbus stainless steel project and the Alusaf aluminium smelter, both R3bn plus projects, which Mr Keys expected would get the go-ahead.

Insurance fund to aid Japanese bank rescue

By Robert Thomson in Tokyo

JAPANESE financial authorities will use the country's bank deposit insurance fund for the first time to assist in the rescue takeover of a distressed provincial bank.

The Deposit Insurance Corporation is to provide Iyo Bank, based in western Japan, with Y8bn ($60m) to help it absorb Toho Sogo Bank, whose plight has highlighted the difficulties confronting small banks following financial deregulation and the turmoil in Japanese financial markets.

The takeover is scheduled for April 1, and on that day an Y8bn loan will be extended to Iyo Bank at an interest rate 5 percentage points below that of the first issue of 10-year government bonds for fiscal 1992.

Iyo Bank, the 21st largest of Japan's regional banks, will then invest the money in 10-year bonds, and over the five-year term of the loan will take a Y2bo profit. A regional banks' association has already announced that it will effectively grant Iyo Bank Y1bn, and the Bank of Japan plans to assist by maintaining a series of concessionary loans to Toho Sogo after the takeover is complete.

The corporation, established in 1971, is controlled jointly by the Bank of Japan and the Ministry of Finance and has funds of Y600bn which can be used to pay compensation to depositors in the event of a failure and to assist in rescue takeovers. Its funds come from premiums paid by commercial banks and the interest income on those premiums.

Toho Sogo Bank, which, like Iyo Bank, is based in Ehime Prefecture, has an estimated Y30bn in bad loans, although Japanese officials believe as much as Y27bn may be written off through property sales and other rationalisation measures.

The bank's problems began in the 1970s when an important customer, a local shipbuilder, experienced financial difficulties. Meanwhile, all small banks have faced intensified competition following the gradual deregulation of the financial system, and the central bank has encouraged mergers and takeovers to streamline the banking system.

The Deposit Insurance Corporation said that the assistance to Iyo Bank should not be interpreted as a greater willingness for the corporation to act.

Oki Electric sees profits slide 64% at six months

By Robert Thomson

OKI ELECTRIC Industry, the Japanese electronics company, reported that the downturn in the semiconductor and information-processing markets led to a 63.9 per cent fall in pre-tax profit to Y4bn ($30m) for the first half to the end of September.

The company said that sales for the period rose 5.2 per cent to Y257.2bn, but, like other companies in the industry, profit margins have been cut by tough competition and slower-than-expected demand for the new generation of memory chips.

For the full year to the end of March, the company is expecting a pre-tax profit of Y10bn, down from Y20.1bn last year, and sales up 5.6 per cent to Y615bn.

Sales of equipment to the Japanese financial industry were affected by the plunge in the Tokyo stock market last year and financial companies' ensuing decisions to revise capital spending programmes.

Oki, along with several other Japanese electronics companies, has reviewed its own capital spending plans, and said yesterday that outlays for this year would be Y72bn, down from the planned Y80bn.

Singapore Airlines fails to live up to forecast

By Joyce Quek in Singapore

SINGAPORE Airlines (SIA), the national carrier, did not live up to analysts' forecasts of strong interim results.

While group revenue grew 4.8 per cent to S$2.65bn (US$1.58bn) operating profits fell 9.6 per cent to S$523m.

The fall was due to reduced passenger loads caused by a combination of the slowdown in world growth, cut-throat competition, high operating costs and the strong Singapore dollar.

However, after-tax profits were only marginally lower at S$530m, due to lower tax provisions following higher capital allowances on aircraft purchases.

Earnings per share fell to 82 cents from 84 cents, but net tangible assets rose 74 cents to S$10.46, while the gross dividend was held at 15 cents.

SIA forecast a stronger second half. Fuel prices – an important component of costs – will be lower than year-ago levels as jet fuel prices have returned to pre-Gulf war levels, and advance passenger bookings have firmed.

The group's total assets expanded 6.5 per cent to S$9.6bn, while its cash stood at S$2.1bn.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, October 28, 1991. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	58.2624	34.1065	44.1111
Albania	(Lek)	10.0333	5.8896	3.4478	4.4592
Algeria	(Dinar)	38.2782	22.4703	13.154	17.0125
Andorra	(Fr Fr)	9.9350	5.8321	3.414	4.4155
	(Sp Peseta)	182.95	107.397	62.8694	81.3111
Angola … Germany		[illegible]	[illegible]	[illegible]	[illegible]
Ghana	(Cedi)	643.7340	377.889	221.214	286.104
Gibraltar	(Gib £)	1.00	0.587	0.3436	0.4444
Greece	(Drachma)	325.15	190.872	111.735	144.511
Greenland	(Danish Krone)	11.2825	6.6231	3.8771	5.0144
Grenada	(E Carr $)	4.5968	2.6984	1.5796	2.043
Guadaloupe	(Local Fr)	9.9350	5.8321	3.414	4.4155
Guam	(US $)	1.7035	1	0.5853	0.7571
Guatemala	(Quetzal)	8.5411	5.0138	2.935	3.796
Guinea	(Fr)	1382.92	811.811	475.23	614.631
Guinea-Bissau	(Peso)	1110.23	651.735	381.522	493.436
Guyana	(Guyanese $)	206.4452	121.189	70.9433	91.7534
Haiti	(Gourde)	8.5125	5	2.9252	3.7833
Honduras	(Lempira)	9.9343	5.8316	3.4138	4.4152
Hong Kong	(HK $)	13.2455	7.7754	4.5517	5.8868
Hungary	(Forint)	129.0976	75.7837	44.3634	57.3767
Iceland	(Icelandic Krona)	102.85	60.3756	35.3436	45.7111
India	(Indian Rupee)	43.95	25.7998	15.103	19.5333
Indonesia	(Rupiah)	3387.235	1988.4	1164	1505.44
Iran	(Rial)	115.50	67.8015	39.6907	51.3333
Iraq	(Iraqi Dinar)	0.5936	0.3484	0.2039	0.2638
Irish Rep	(Punt)	1.0895	0.6395	0.3743	0.4842
Israel	(Shekel)	4.1830	2.4555	1.4374	1.8591
Italy	(Lira)	2174.50	1276.49	747.251	966.444
Jamaica	(Jamaican $)	29.9925	17.6063	10.3067	13.33
Japan	(Yen)	225.00	132.081	77.3195	100
Jordan	(Jordanian Dinar)	1.1577	0.6796	0.3978	0.5145
Kenya	(Kenya Shilling)	49.2363	28.903	16.9196	21.8828
Kiribati	(Australian $)	2.1740	1.2761	0.747	0.9662
Korea North	(Won)	1.6514	0.9694	0.5674	0.7339
Korea South	(Won)	1282.81	753.044	440.828	570.138
Kuwait	(Kuwaiti Dinar)	0.49295	0.2893	0.1693	0.219
Laos	(New Kip)	1191.75	699.589	409.536	529.667
Lebanon	(Lebanese £)	1506.7125	884.48	517.771	669.65
Lesotho	(Maloti)	4.8650	2.8558	1.6718	2.1622
Liberia	(Liberian $)	1.7035	1	0.5853	0.7571
Libya	(Libyan Dinar)	0.4852	0.2848	0.1667	0.2156
Liechtenstein	(Swiss Fr)	2.5525	1.4983	0.8771	1.1344
Luxembourg	(Lux Fr)	59.85	35.1335	20.567	26.6
Macao	(Pataca)	13.6404	8.0072	4.6874	6.0624
Madagascar	(MG Fr)	2199.56	1291.2	755.863	977.582
Madeira	(Port Escudo)	250.15	146.845	85.9621	111.178
Malawi	(Kwacha)	4.7908	2.8123	1.6463	2.1292
Malaysia	(Ringgit)	4.6980	2.7578	1.6144	2.088
Maldive Is	(Rufiya)	17.9273	10.5238	6.1605	7.9676
Mali Rep	(CFA Fr)	496.75	291.606	170.704	220.778
Malta	(Maltese £)	0.5630	0.3304	0.1934	0.2502
Martinique	(Local Fr)	9.9350	5.8321	3.414	4.4155
Mauritania	(Ouguiya)	145.1552	85.2099	49.8815	64.5134
Mauritius	(Maur Rupee)	27.10	15.9084	9.3127	12.0444
Mexico	(Mexican Peso)	5132.25a	3012.77	1763.66	2281
		5201.82d	3053.61	1787.57	2311.92
Miquelon	(Local Fr)	9.9350	5.8321	3.414	4.4155
Monaco	(French Fr)	9.9350	5.8321	3.414	4.4155
Mongolia	(Tugrik)	71.5050	41.9753	24.5721	31.78
Montserrat	(E Carr $)	4.5968	2.6984	1.5796	2.043
Morocco	(Dirham)	14.91	8.7525	5.1237	6.6266
Mozambique	(Metical)	3085.34	1811.18	1060.25	1371.26
Namibia	(SA Rand)	4.8650	2.8558	1.6718	2.1622
Nauru Is	(Australian $)	2.1740	1.2761	0.747	0.9662
Nepal	(Nepalese Rupee)	72.5265	42.5749	24.9231	32.234
Netherlands	(Guilder)	3.2800	1.9254	1.1271	1.4577
N'nd Antilles	(A/Guilder)	3.0475	1.7889	1.0472	1.3544
New Zealand	(NZ $)	3.0730	1.8039	1.056	1.3657
Nicaragua	(Gold Cordoba)	8.5125	4.997	2.9252	3.7833
Niger Rep	(CFA Fr)	496.75	291.606	170.704	220.778
Nigeria	(Naira)	16.6845	9.7942	5.7335	7.4153
Norway	(Nor. Krone)	11.4100	6.6979	3.9209	5.0711
Oman	(Rial Omani)	0.6555	0.3847	0.2252	0.2913
Pakistan	(Pak. Rupee)	41.7820	24.5271	14.358	18.5697
Panama	(Balboa)	1.7035	1	0.5853	0.7571
Papua New Guinea	(Kina)	1.6170	0.9492	0.5556	0.7186
Paraguay	(Guarani)	2243.40	1316.94	770.928	997.067
Peru	(New Sol)	1.6000	0.9392	0.5498	0.7111
Philippines	(Peso)	44.8150	26.3076	15.4003	19.9177
Pitcairn Is	(£ Sterling)	1.00	0.587	0.3436	0.4444
	(NZ $)	3.0730	1.8039	1.056	1.3657
Poland	(Zloty)	19248.00	11299.1	6614.43	8554.67
Portugal	(Escudo)	250.15	146.845	85.9621	111.178
Puerto Rico	(US $)	1.7035	1	0.5853	0.7571
Qatar	(Riyal)	6.1971	3.6378	2.1295	2.7542
Reunion Is. de la	(F/Fr)	9.9350	5.8321	3.414	4.4155
Romania	(Leu)	103.06	60.4989	35.4158	45.8044
Rwanda	(Fr)	212.95	125.007	73.1786	94.6444
St Christopher	(E Carr $)	4.5968	2.6984	1.5796	2.043
St Helena	(£)	1.00	0.587	0.3436	0.4444
St Lucia	(E Carr $)	4.5968	2.6984	1.5796	2.043
St Pierre	(French Fr)	9.9350	5.8321	3.414	4.4155
St Vincent	(E Carr $)	4.5968	2.6984	1.5796	2.043
San Marino	(Italian Lira)	2174.50	1276.49	747.251	966.444
Sao Tome	(Dobra)	408.60	239.859	140.412	181.6
Saudi Arabia	(Riyal)	6.3853	3.7483	2.1942	2.8379
Senegal	(CFA Fr)	496.75	291.606	170.704	220.778
Seychelles	(Rupee)	9.0300	5.3008	3.103	4.0133
Sierra Leone	(Leone)	671.20	394.012	230.653	298.311
Singapore	($)	2.8985	1.7014	0.996	1.2882
Solomon Is	($)	4.7160	2.7684	1.6206	2.096
Somali Rep	(Shilling)	4460.55	2618.46	1532.84	1982.47
South Africa	(Rand)	4.8650c	2.8558	1.6718	2.1622
		5.3063g	3.1149	1.8234	2.3583
Spain	(Peseta)	182.95	107.397	62.8694	81.3111
Spanish Ports in N Africa	(Sp Peseta)	182.95	107.397	62.8694	81.3111
Sri Lanka	(Rupee)	71.70	42.0898	24.6391	31.8666
Sudan Rep	(£)	25.8675	15.1849	8.8891	11.4966
Surinam	(Guilder)	3.0390	1.7839	1.0443	1.3506
Swaziland	(Lilangeni)	4.8650	2.8558	1.6718	2.1622
Sweden	(Krona)	10.6050	6.2254	3.6443	4.7133
Switzerland	(Fr)	2.5525	1.4983	0.8771	1.1344
Syria	(£)	35.7525	20.9876	12.286	15.89
Taiwan	($)	45.25	26.5629	15.5498	20.1111
Tanzania	(Shilling)	389.8725	228.866	133.977	173.277
Thailand	(Baht)	43.5030	25.5374	14.9494	19.3346
Togo Rep	(CFA Fr)	496.75	291.606	170.704	220.778
Tonga Is	(Pa Anga)	2.1740	1.2761	0.747	0.9662
Trinidad/Tobago	($)	7.2356	4.2474	2.4864	3.2158
Tunisia	(Dinar)	1.6210	0.9515	0.557	0.7204
Turkey	(Lira)	8441.58	4955.43	2900.89	3751.81
Turks & Caicos	(US $)	1.7035	1	0.5853	0.7571
Tuvalu	(Australian $)	2.1740	1.2761	0.747	0.9662
Uganda	(New Shilling)	1543.23	905.917	530.32	685.88
U A E	(Dirham)	6.2525	3.6703	2.1486	2.7788
United Kingdom	(£)	1.00	0.587	0.3436	0.4444
United States	(US $)	1.7035	1	0.5853	0.7571
Uruguay	(Peso)	3900.75	2289.84	1340.46	1733.67
USSR	(Rouble)	1.0073o	0.5913	0.3461	0.4476
		3.0219c	1.7739	1.0384	1.343
Vanuatu	(Vatu)	187.50	110.068	64.4329	83.3333
Vatican	(Lira)	2174.50	1276.49	747.251	966.444
Venezuela	(Bolivar)	93.4069	54.8323	32.0985	41.5141
Vietnam	(Dong)	19153.125	11243.4	6581.83	8512.5
Virgin Is-British	(US $)	1.7035	1	0.5853	0.7571
Virgin Is-US	(US $)	1.7035	1	0.5853	0.7571
Western Samoa	(Tala)	4.0497	2.3772	1.3916	1.7998
Yemen (Rep of)	(Rial)	20.6003	12.0929	7.0791	9.1556
Yemen (Rep of)	(Dinar)	0.7849	0.4607	0.2697	0.3488
Yugoslavia	(Dinar)	37.8013	22.1903	12.9901	16.8005
Zaire Rep	(Zaire)	39895.00	23419.4	13709.6	17731.1
Zambia	(Kwacha)	130.0710	76.3551	44.6979	57.8093
Zimbabwe	($)	8.5976	5.047	2.9545	3.8211

Special Drawing Rights October 25, 1991 United Kingdom £0.792776 United States $1.35856 Germany D Mark 2.30972 Japan Yen178.314
European Currency Unit Rates October 28, 1991 United Kingdom £0.703989 United States $1.19821 Germany D Mark 2.04774 Japan Yen158.552

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (g) Exports; (h) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Tourist rate; (u) Currency fixed against the US Dollar.

Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5. (1) Angola: Corrected rates for 21.10.91- Against Sterling 102.10, against US Dollar 59.3950, against DM 35.1463, against Yen 45.4382.
Monday October 28, 1991

INTERNATIONAL CAPITAL MARKETS

Treasuries advance after assessment by Greenspan

By Patrick Harverson in New York and Sara Webb in London

DOWNBEAT comments on the state of the economy by Mr Alan Greenspan, chairman of the US Federal Reserve, gave bond prices a much-needed lift yesterday.

In late trading, the benchmark 30-year bond was up ¼ at 101⅛, yielding 8.021 per cent, while the two-year note was ⅜ higher at 100⅛, to yield 5.882 per cent.

The market opened weakly in reaction to comments from Mr Nicholas Brady, the US treasury secretary, who at the weekend had predicted that gross national product may have risen by as much as 3 per cent in the third quarter.

The GNP figure will be released today, and the market is worried that signs of economic strength could stall further interest rate cuts.

Prices rallied during mid-afternoon after Mr Greenspan told a business group in Rhode Island that the recovery was "demonstrably sluggish" and that the economy was having "significant difficulty bouncing back".

These comments immediately raised hopes that the Fed would cut interest rates to stimulate economic activity. That cut could possibly come as early as the end of this week, when the employment report for October is released. The Fed may act if the figures on Friday show continued a weak labour market.

■ JAPANESE government bond prices opened on a firm note in Tokyo following predictions of a cut in interest rates in November, but slipped back later in the day on light trading.

The Saturday edition of the Nihon Keizai Shimbun reported that the Bank of Japan would cut the official discount rate in November. Traders said the report, which emerged during New York trading hours on Friday, pushed JGB prices up in New York immediately. The yield on the benchmark No 129 bond yesterday opened at 5.85 per cent in Tokyo, but moved to 5.895 per cent before closing at 5.87 per cent.

Traders said that volumes were low ahead of today's auction of 10-year government bonds. Traders expect about Y800bn of the bonds to be auctioned with a coupon of 5.9 per cent.

■ GERMAN government bond prices continued their decline to close lower as worries about inflation and wage claims continued to dominate the market.

Traders said that investors had reduced their holdings in bunds over the last 10 days because of concern that the Bundesbank may raise interest rates again.

The Liffe bund futures contract, which opened at 85.56, fell to a low on the day of 85.36 before edging up to 85.39 by late afternoon.

Elsewhere in Europe, French government bonds closed slightly weaker, following the bund market. The Bank of France held key rates unchanged at 8.75 per cent. The December bond future ended at 106.72, down from its opening level of 106.78.

■ UK government bonds ended slightly firmer among the medium and longer maturity stocks, helped by sterling's relative firmness. Short-dated gilts were almost unchanged on the day in dull trading.

The market opened slightly weaker following the publication of a Mori opinion showing that Labour had a six-point lead over the ruling Conservative party.

However, the results of the latest Institute of Directors survey, in which company directors were more optimistic about the state of the British economy, provided more positive news for the market.

The survey shows 52 per cent of company directors are more optimistic about the economy (compared with 36 per cent in August) and 56 per cent are more confident about the outlook for their own companies (compared with 48 per cent in August).

The benchmark 11¾ per cent gilt due 2003/07 opened at 113 and edged up to 113⅛ by late afternoon.

■ THE BELGIAN Futures and Options Exchange will start trading before year-end, Reuter reports from Brussels.

The earlier target date of the end of October will not be met because the system needs additional fine-tuning.

Marketmakers for bond futures will be Generale Bank, Banque Indosuez Belgique, Ippa Bank, Kredietbank and Banque Paribas Belgique.

In the share options market, Dewaay, Servais & Peterbroeck, Van Campenhout, Corluy, Nedee and Puilaetco, and Kredietbank will be the marketmakers.

● Belgium's stock market authorities are considering introducing new criteria for company listings on the Brussels Stock Exchange's four markets with the aim of making them more distinct.

The plan, which is expected to be finalised at the end of this month, could lead to changes in Belgian company listings on the main CATS screen-based forward market.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	112.3090	-0.138	10.03	10.01	10.31
BELGIUM		9.000	06/01	99.0300	-0.120	9.14	9.07	9.13
CANADA *		9.750	12/01	105.8000	+0.500	8.98	9.07	9.10
DENMARK		9.000	11/00	100.1250	-0.060	8.97	8.83	9.09
FRANCE	BTAN	8.500	11/96	98.1417	-0.056	8.96	8.90	9.08
	OAT	9.500	01/01	104.0200	-0.200	8.83	8.76	8.84
GERMANY		8.250	09/01	99.1200	-0.240	8.38	8.19	8.29
ITALY		12.000	08/01	97.3700	-0.400	12.47	12.32	12.52
JAPAN	No 119	4.800	06/99	92.6399	+0.122	6.22	6.13	6.29
	No 129	6.400	03/00	102.9811	+0.026	5.97	5.80	5.95
NETHERLANDS		8.500	03/01	97.9800	-0.140	8.81	8.74	8.79
SPAIN		11.800	07/96	100.5500	+0.050	11.69	11.51	11.36
UK GILTS		10.000	11/96	100-23	+2/32	9.80	9.85	9.86
		10.000	02/01	101-06	+3/32	9.80	9.87	9.82
		9.000	10/08	95-12	+2/32	9.56	9.65	9.40
US TREASURY *		7.875	08/01	101-19	+8/32	7.63	7.52	7.53
		8.125	08/21	101-03	+9/32	8.02	7.97	7.97

London closing, *denotes New York closing. Prices: US, UK in 32nds., others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 28

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	102¾	103⅛		6.56
ALBERTA PROVINCE 9 3/8 95	600	106⅝	107⅛		7.33
AUSTRIA 8 1/2 00	400	102	102⅝	-⅛	8.15
BANK OF TOKYO 8 3/8 96	100	102	102½		7.80
BELGIUM 9 5/8 98	250	108⅛	108⅝	-⅛	8.00

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.57
KREDIETCORP 7 95 LFr	1000	95⅜	96⅜		9.60
WORLD BANK 0 96 LFr	1000	96⅜	97⅜		9.06
ABN AMRO HOLDING 9 1/4 01 Fl	750	102⅜	102⅞		8.85
UNILEVER 9 00 Fl	500	103	103½		8.40

FLOATING RATE NOTES; CONVERTIBLE BONDS; YEN STRAIGHTS; SWISS FRANC STRAIGHTS; DEUTSCHE MARK STRAIGHTS: [illegible]

OBITUARY

MICHAEL A. BRADLEY (1955-1991)

The staff of Swiss Bank Corporation are deeply saddened to announce the untimely death on Friday, 25th October, 1991 of their colleague and friend, Michael Bradley.

As head of the bank's fixed income syndicate operation in London, Mike's contribution as a professional and natural leader was immense. He will be greatly missed by all who knew him.

INTERNATIONAL CAPITAL MARKETS

Japan's OTC index falls in sobering debut for Jasdaq

By Emiko Terazono in Tokyo

HOPES for Japan's over-the-counter share market, heightened by frenzied trading last week, fell flat yesterday as the launch of a new automated stock trading system failed to attract investors.

Last week, the OTC index rose 4.5 per cent to 2,656.22, with average daily turnover reaching 4.74m shares. The rally came amid orchestrated claims by the local media and brokers that Jasdaq – Japan's version of Nasdaq, the US OTC trading system – would boost investor interest. This prompted a trading "theme" in the larger Tokyo Stock Exchange's first and second sections, with smaller issues gaining popularity.

Yesterday's 38.29 point fall in the OTC index on sluggish volume sobered the market, however.

The new automated system enables OTC trading, previously done by matching buy-sell orders by phone, to be conducted through computer terminals. Previously, a broker-age would place an order with a central body, Japan OTC Securities, which would then match orders manually. Investors would have to wait for the operator for a fax confirming the transaction.

With Jasdaq, traders enter orders into the computer terminal and these are matched and processed automatically by a host computer. The new system also provides market information simultaneously, such as bid and offered stock prices, and trading volume.

Japanese brokers had been enthusiastic before the launch of the new system. Supporters say it will increase liquidity by speeding transactions and raising trading capacity by as much as five times. Equally, increasing liquidity is expected to reduce the notorious volatility of the OTC market.

The introduction of Jasdaq was decided in 1990, after rapid growth in the OTC market which saw volume rising from 966,700 shares a day in 1986 to 5.1m in 1990. The number of listed companies has also increased, from 161 in 1986 to 357 in 1990. The number is expected to increase to 450 by the end of this year.

However, some market participants see the launch of Jasdaq making little difference in OTC trading. "Trading may become faster but the companies listed on the OTC have not changed," says an equities trader at Dai-Ichi Life Insurance.

Mr Craig Chudler, equity analyst at UBS Phillips & Drew, says that Jasdaq's launch coincides with a movement by investors out of the OTC market. "The launch of Jasdaq symbolises the maturity of the OTC market and not a beginning of a new era," Mr Chudler says.

Many investors are put off OTC stocks because smaller companies are vulnerable to the current economic slow-down. Foreign investment trusts, which set up OTC funds when the market hit its highs in 1990, are looking to run down their holdings.

Domestic investment trusts, which were buyers when the OTC index stood at 3,000 early this year and are now carrying losses, are also expected to unload holdings once the market rebounds.

Vital and Swiss Life extend agreement on co-operation

VITAL Forsikring, one of Norway's top five insurers, has agreed with Schweizerische Lebensversicherungs und Rentenanstalt (Swiss Life) to extend an existing commercial co-operation agreement, writes Karen Fossli in Oslo.

The pact calls for collaboration in product development, marketing, computer systems and investment.

Last June, Swiss Life took a 1 per cent stake in Vital. Under the new agreement, Swiss Life has an option to extend this shareholding to a "strategic" stake.

Liffe merger improves outlook for equity options

Tracy Corrigan reports on steps intended to give the combined market a more secure future

THE outlook for trading in UK equity options took a turn for the better yesterday when the London International Financial Futures Exchange (Liffe) and the London Traded Options Market (LTOM) finally set a date for their merger.

From January 31, equity options will be traded at the newly-formed London International Financial Futures and Options Exchange at its new Cannon Bridge headquarters in London.

The proximity to Liffe – mostly a successful interest rate-related futures business – is expected to have a knock-on effect on equity options business. In addition, important structural changes could give the market a new lease of life.

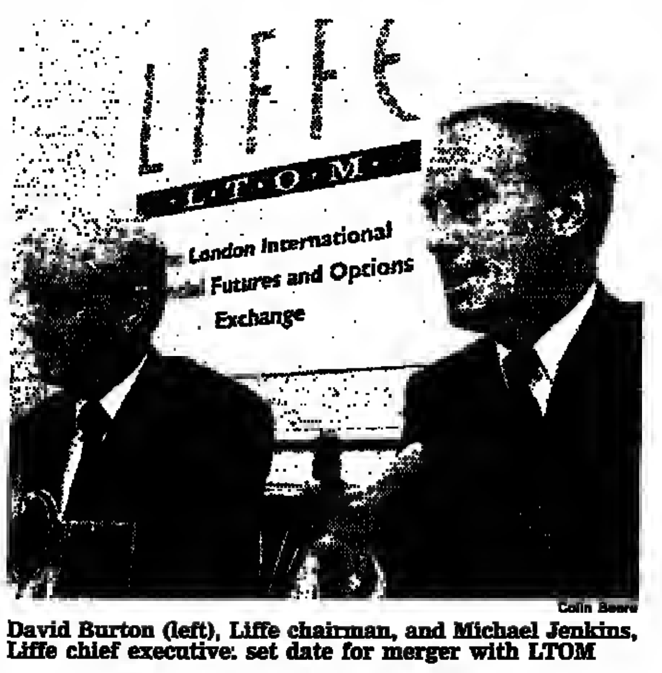
As Mr Geoffrey Chamberlain, chairman of LTOM, admitted: "There were a number of errors in the structure of the market when it was set up in 1978." The market had no start-up capital from members, and was stymied by unfavourable tax rules.

Last week, the UK government announced that members of the new exchange would have exemption from stamp duty and stamp duty reserve tax at the new exchange. They would also be allowed to engage in stock lending.

Many members appear to have decided to put behind them some of the bitter controversy which arose during the evolution of the new exchange. Though independent traders are still unhappy at the idea that screen-based trading could be implemented at a later date, they are at least relieved that open-outcry trading will be given a chance. There also is some optimism that the transparency of the market will improve, reducing some of the advantages of the large market-makers which dominate the underlying stock market.

"The integrated firms have lost their grip on market, so there will be great opportunities for independents," said the head of one trading firm.

Equally, the large UK firms which had been threatening to pull out of the market altogether appear to be taking a more positive attitude.



Colin Beere

David Burton (left), Liffe chairman, and Michael Jenkins, Liffe chief executive: set date for merger with LTOM

Among firms not yet convinced that the new equity options market will be successful, there is at least the faith that Liffe will not do anything detrimental to the value of the seats. The question is whether there is sufficient conviction that the market will be successful to create real commitment to the market, although members have to make some commitment to making a market. "Some firms may take seats and then adopt a rather wait-and-see attitude, before really committing resources," one trader suggested.

Further, the economic environment is not favourable. Although volumes on other exchanges, such as the European Options Exchange in Amsterdam, are much higher, profitability is being squeezed in many exchanges. Trading in the underlying UK stock market is not particularly exciting at the moment.

With daily volume of only 25,000 contracts on LTOM, there is a long way to go. Even 50,000 contracts a day could not really be considered a successful market.

However, there have been important changes in investment legislation which could prove something of catalyst. "The creation of futures and options funds and the concept of EPM [efficient portfolio management] will affect every existing unit trust and will also have an impact on advice that brokers give fund managers," said Ms Lesley Powell, a derivatives consultant.

Some traders believe the success of the equity options market will depend largely on its ability to attract retail investors. LTOM trading is currently made up of 30 per cent retail and 70 per cent institutional business. The proportions on the CBOE in Chicago are reversed and the EOE in Amsterdam boasts 80 per cent retail participation.

For the derivatives markets, the merger has the importance, as Mr Chamberlain observed, of "another Big Bang".

Pernod Ricard launches FFr400m share-linked issue

By Simon London

PERNOD Ricard, the drinks group, yesterday became the latest French company to launch an international bond issue linked to its shares, but without giving investors the right to take an equity stake.

The company launched a FFr400m five-year issue, lead-managed by Société Générale. The bonds do not pay a coupon, but redemption value is linked to the performance of the company's shares. The maximum redemption value is 230 per cent, giving a yield of 18.12 per cent.

Alternatively, the bonds could be redeemed at the par issue price if the shares do not progress beyond yesterday's FFr1,174 a share. At this level, the shares trade on a dividend yield of around 3.5 per cent.

The formula is popular with companies that want to offer equity-linked debt securities without the risk of dilution to existing shareholders.

INTERNATIONAL BONDS

The alternatives – convertible bonds and warrant bond issues – give investors the right to acquire shares at a price set in advance. Nearly 50 per cent of Pernod Ricard shares are held by family interests.

Earlier this month, Société Générale launched a FFr500m four-year deal for LVMH, the drinks and luxury goods group part-owned by Guinness. The deal was increased to FFr750m in the face of strong investor demand.

Elsewhere, banks dominated the international bond market with corporate borrowers side-lined by generally weak market conditions.

Canadian Imperial Bank of Commerce launched a C$150m six-year deal, aimed primarily at retail investors. The bonds carry a coupon of 9¼ per cent and were re-offered to investors at a fixed price of 99.65 for a spread of 57 basis points over Canadian Treasury bonds.

The deal, lead-managed by Wood Gundy, was seen as fairly priced by other syndicate managers hut was launched into a weak market.

Government bonds fell in early trading and the CIBC bonds followed suit to trade at 99.40 bid by late afternoon, for a yield spread of 58 basis points.

In the Euro-lire sector, KFW, the German government-backed financial institution, launched a L200bn seven-year deal, lead-managed by Banca Commerciale Italiana.

Again the deal was seen as offering fair value but the weak tone of the Italian government bond market worked against the issue. The Italian Treasury is set to auction L14,500bn bonds this week.

The D-Mark sector has been subdued for most of the year with investors fearing higher interest rates and the German government borrowing heavily for finance re-unification.

However, there are signs that sentiment has turned for the better since the summer. Yesterday, Deutsche Bank launched a DM750m four-year deal, with an 8⅝ per cent coupon and an issue price of par.

Nederlandse Gasunie, the Dutch state-owned gas utility which also carries a triple-A credit rating, also launched a DM180m seven-year issue. The deal, lead managed by J.P.Morgan, suffered from the launch of the much larger Deutsche Bank issue and a weak government bond market.

The bonds fell from an issue price of 102.20 to stand at 99.63 bid by late afternoon, just outside full fees of 2¼ per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
CANADIAN DOLLARS						
CIBC (London Branch)(a)†	150	9¼	101.225	1997	1⅞/1.775	Wood Gundy
FRENCH FRANCS						
Pernod Ricard(b)†	400	zero	100	1996	-	Societe Generale
D-MARKS						
Deutsche Finance BV(a)†	750	8⅝	101.85	1995	1⅞/1⅛	Deutsche Bank
Nederlandse Gasunie(a)†	180	8½	102.20	1998	2⅛/1⅜	JP Morgan GmbH
Deutsche Ausgleichsbank(c)††	75	(c)	100.05	2001	30/15bp	Trinkaus & Burkhardt
Deutsche Ausgleichsbank(d)†	50	(d)	100	2001	30/15bp	Trinkaus & Burkhardt
SWISS FRANCS						
Daimler-Benz Int.Fin.(a)†	150	7¼	101¼	1995	-	UBS
LIRE						
KFW Int.Finance Inc(a)†	200bn	11⅝	101.80	1998	1⅞/1¼	Bca.Comm.Italiana

★★Private placement. §Convertible. ‡With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Redemption linked to share price up to a maximum of 230% of face value. Non-callable. c) Coupon pays 11% for first 2 years, then 15% minus 6-month Libor thereafter. d) Coupon pays 9⅜% for first 3 years, then 15% minus 6-month Libor thereafter.

Philippines privatisation at halfway stage

THE Philippine programme to sell state companies and other assets has only reached just over half of its target after five years, and will try to finish disposing of the big items this year, Reuter reports from Manila.

Philippine Airlines, Philippine National Bank which is already 30 per cent privatised, Manila Hotel and National Steel head the properties listed for public sale in 1991, the Committee on Privatisation said.

"Privatisation activities are presently focused on the sale of large and highly visible corporations," it said.

The committee said the programme had generated 42bn pesos ($1.6bn) in gross revenues from the sale of state assets since it was launched in early 1987.

The programme had sold 69 of the 122 listed government-owned and controlled corporations for 9bn pesos and 259 of the 399 government assets – mostly financial claims on companies indebted to government banks – for 33bn pesos.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Monday October 28 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1991 to date	Fri Oct 25 Index No.	Thu Oct 24 Index No.	Wed Oct 23 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (181)	813.15	+1.3	9.43	5.97	13.25	31.79	802.95	805.68	813.07	698.00
2 Building Materials (23)	980.35	+1.5	7.55	6.35	17.45	41.35	966.32	972.42	986.07	932.65
3 Contracting, Construction (30)	1060.81	+0.9	8.54	6.93	16.11	49.81	1051.79	1057.59	1064.46	1125.25
4 Electricals (11)	2486.19	+1.0	8.79	5.31	14.41	84.23	2461.85	2489.54	2498.86	1899.26
5 Electronics (25)	1706.53	+1.4	11.13	5.58	11.36	51.73	1683.13	1704.82	1717.30	1568.38
6 Engineering-Aerospace (8)	356.86	+0.8	15.70	7.28	7.69	18.52	354.02	355.62	357.12	413.53
7 Engineering-General (43)	486.63	+0.7	10.09	5.21	12.19	16.58	483.10	483.25	485.28	356.40
8 Metals and Metal Forming (9)	434.89	+0.6	15.06	8.15	8.07	18.43	432.08	427.71	430.26	402.65
9 Motors (12)	340.96	+0.4	6.97	7.06	19.64	17.56	339.48	336.01	341.21	268.14
10 Other Industrial Materials (20)	1586.38	+1.9	7.96	5.14	14.93	57.59	1556.73	1559.50	1576.90	1149.54
21 CONSUMER GROUP (190)	1562.32	+1.6	7.32	3.57	16.90	34.04	1537.66	1539.11	1555.14	1186.90
22 Brewers and Distillers (22)	1945.25	+1.2	7.92	3.46	15.36	38.33	1922.96	1924.67	1937.26	1480.08
25 Food Manufacturing (19)	1206.68	+1.4	9.40	4.14	13.17	29.98	1190.04	1193.06	1216.93	1004.91
26 Food Retailing (17)	2400.57	+0.9	9.16	3.39	14.26	52.15	2379.28	2424.49	2445.77	2255.29
27 Health and Household (23)	3875.90	+2.9	5.21	2.44	22.02	61.87	3765.58	3714.50	3771.27	2439.78
29 Hotels and Leisure (24)	1337.65	+1.3	7.62	5.26	16.22	45.61	1320.73	1321.43	1341.13	1192.51
30 Media (26)	1505.90	+1.3	7.15	4.71	18.28	44.40	1486.70	1497.36	1519.26	0.00
31 Packaging, Paper & Printing (17)	756.14	+0.4	7.43	4.36	16.34	23.54	753.06	758.46	765.48	478.37
34 Stores (33)	1017.67	+1.1	7.36	3.65	17.79	20.52	1006.60	1015.64	1012.47	790.79
35 Textiles (9)	644.73	+1.3	7.17	4.83	17.69	15.49	636.72	635.97	637.74	417.89
40 OTHER GROUPS (110)	1256.72	+1.4	9.56	5.16	13.15	36.02	1238.85	1248.84	1262.78	953.71
41 Business Services (12)	1400.18	+1.7	7.62	4.66	16.31	39.29	1376.46	1386.24	1403.46	0.00
42 Chemicals (21)	1439.08	+1.6	7.01	5.03	17.62	48.39	1416.31	1420.57	1452.94	990.14
43 Conglomerates (11)	1478.85	+1.8	9.79	7.09	12.38	38.87	1452.55	1465.88	1497.46	1249.14
44 Transport (13)	2323.98	+1.6	7.36	4.88	16.83	68.02	2287.65	2292.51	2325.13	1843.91
45 Electricity (16)	1201.97	+1.1	14.61	5.41	8.92	27.53	1189.00	1204.95	1219.76	0.00
46 Telephone Networks (4)	1543.07	+2.0	9.71	3.93	13.47	28.34	1513.01	1522.27	1522.00	1059.57
47 Water (10)	2304.56	+0.4	17.72	6.68	6.25	118.37	2294.36	2325.09	2315.98	1974.45
48 Miscellaneous (23)	1820.17	+0.3	5.38	5.41	25.77	70.17	1814.52	1839.68	1868.22	1484.81
49 INDUSTRIAL GROUP (481)	1279.84	+1.5	8.43	4.53	14.79	34.81	1261.05	1265.71	1278.90	995.88
51 Oil & Gas (19)	2419.27	+1.1	10.81	5.75	12.22	93.60	2393.26	2409.77	2445.74	2298.29
59 500 SHARE INDEX (500)	1377.49	+1.4	8.73	4.68	14.42	39.49	1357.94	1363.49	1378.47	1102.44
61 FINANCIAL GROUP (91)	777.45	+1.6	-	6.02	-	32.04	765.51	771.30	782.27	671.67
62 Banks (9)	920.18	+1.8	4.53	5.80	41.75	37.46	904.10	910.31	925.23	707.25
65 Insurance (Life) (7)	1441.79	+1.9	-	5.87	-	63.68	1415.08	1432.98	1446.45	1265.91
66 Insurance (Composite) (6)	569.20	+1.4	-	7.71	-	32.94	561.11	574.44	588.64	574.08
67 Insurance (Brokers) (9)	1105.62	+0.1	7.43	6.13	17.62	43.14	1104.93	1108.36	1116.41	864.50
68 Merchant Banks (7)	479.18	+0.7	-	4.41	-	13.08	476.07	474.92	476.03	342.88
69 Property (36)	893.90	+1.9	6.03	5.20	23.54	24.74	876.97	872.76	880.72	915.43
70 Other Financial (17)	257.04	+0.1	11.12	7.15	11.29	11.08	256.78	257.31	259.26	243.78
71 Investment Trusts (70)	1229.54	+0.6	-	3.52	-	28.89	1221.93	1225.05	1230.04	1004.71
99 ALL-SHARE INDEX (661)	1233.69	+1.4	-	4.91	-	37.18	1216.26	1221.71	1235.40	997.43
	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 25	Oct 24	Oct 23	Oct 22	Oct 21	Year ago
FT-SE 100 SHARE INDEX‡	2558.5	+43.8	2558.5	2520.4	2514.7	2528.3	2561.1	2559.5	2575.7	2062.1

FIXED INTEREST

PRICE INDICES	Mon Oct 28	Day's change %	Fri Oct 25	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (27)	121.81	+0.07	121.73	1.84	10.20
2 5-15 years (28)	133.78	+0.22	133.48	1.51	11.84
3 Over 15 years (8)	143.08	+0.25	142.72	2.42	10.60
4 Irredeemables (6)	155.04	+0.23	154.68	−0.10	13.45
5 All stocks (69)	132.37	+0.18	132.14	1.70	11.33
Index-Linked					
6 Up to 5 years (2)	166.29	+0.02	166.26	0.28	3.16
7 Over 5 years (9)	149.08	+0.06	149.00	0.70	3.83
8 All stocks (11)	150.33	+0.05	150.25	0.64	3.81
9 Debs & Loans (61)	112.92	+0.19	113.39	1.75	9.21

AVERAGE GROSS REDEMPTION YIELDS		Mon Oct 28	Fri Oct 25	Year ago (approx.)
British Government				
1 Low	5 years	8.69	8.74	10.56
2 Coupons	15 years	9.52	9.55	10.87
3 (0%-7¾%)	28 years	9.52	9.55	10.87
4 Medium	5 years	9.80	9.84	11.54
5 Coupons	15 years	9.67	9.70	11.30
6 (8%-10¾%)	20 years	9.62	9.65	11.21
7 High	5 years	10.00	10.04	11.64
8 Coupons	15 years	9.76	9.79	11.52
9 (11%-)	20 years	9.68	9.71	11.47
10 Irredeemables	†	9.74	9.76	11.00
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.83	3.83	4.10
12 Inflation rate 5%	Over 5 yrs.	4.23	4.23	4.38
13 Inflation rate 10%	Up to 5 yrs.	3.20	3.20	2.86
14 Inflation rate 10%	Over 5 yrs.	4.05	4.05	4.19
15 Debs &	5 years	11.41	11.42	13.89
16 Loans	15 years	11.20	11.22	12.93
17	25 years	11.01	11.02	12.46

‡Opening index 2520.4; 9 am 2532.3; 10 am 2539.1; 11 am 2548.1; Noon 2547.6; 1 pm 2551.2; 2 pm 2551.9; 2.30 pm 2552.0; 3 pm 2551.2; 4.10 pm 2558.2; (a) 4.30pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	63	2	17
Corporations, Dominion and Foreign Bonds	7	5	8
Industrials	396	166	930
Financial and Properties	190	63	505
Oils	22	12	56
Plantations	1	0	9
Mines	29	31	93
Others	46	42	49
Totals	754	321	1,667

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
180	F.P.	-	200	188	Adam & Harvey	199		W10.0	5.9	6.7	3.4
-	F.P.	-	2½	2	Butte Mining Wrrnts.	2½		-	-	-	-
†	F.P.	-	110	85	Capital Ventures 1p	85		-	-	-	-
4	F.P.	-	9½	4	Culver 1p	4		-	-	-	-
100	F.P.	-	102	98	Drayton Recovery Trust	99		M7.8	-	10.5	-
25	F.P.	-	26	26	♦Dorrats Group 10p	26		-	-	-	64.2
-	F.P.	-	23	10	Eng. & Scott. Wrrnts.	20		-	-	-	-
-	F.P.	-	320	213	Eurotunnel '91 Wrnts.	243	+5	-	-	-	-
100	F.P.	-	115	105	Gartmore Scotland Inc.	113		M11.6	-	13.7	-
100	F.P.	-	99	85	Do. Capital	92		-	-	-	-
-	F.P.	-	£665	£605	Do. Units	£655		-	-	-	-
50	F.P.	-	54	47	♦Simpsons of Cornhill 5p	48		-	-	-	14.9
62½	F.P.	-	63	62	Vtech Holdings 5c	63		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
-	F.P.	-	187½	97½	Allied Radio 8pc Cv Uns Ln 2001	97½	
10p	F.P.	-	8p	8p	Butte Mining 10pc (Net) Cv Prf 1994	8p	
100	F.P.	-	100	98½	Camborne Inds. 10½pc Rd. Deb. 2001	98½	
100p	F.P.	-	102p	100½p	Drayton Recovery Tst. Prfd. Growth £1	100½p	
100p	F.P.	-	112¼p	104¼p	Gartmore Scotland Zero Div Prf.	112¼p	+¼
-	F.P.	-	96	93¾	Land Securities 10pc 1st Mtg Deb 2027	93¾	
100p	F.P.	-	104p	101¼p	NatWest Bank 9pc Prf Series A	102½p	+½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
5	Nil	29/11	8pm	4pm	ASDA Group	4½pm	+½
140	Nil	6/12	20pm	2pm	Barry Wehmiller 5p	2pm	
28	Nil	5/12	1¼pm	1¼pm	♦Crossroads Oil 5p	1¼pm	
45	Nil	26/11	6pm	3pm	♦Crown Comms. 10p	3pm	
26	Nil	26/11	2½pm	1pm	Dewhirst Group 10p	1pm	−½
310	Nil	2/12	70pm	55pm	Domino Printing Sciences 5p	69pm	
17.5p	Nil	-	¼pm	¼pm	♦Kenmare Res. Ir5p	¼pm	
205	Nil	21/11	37pm	22pm	MB-Caradon	37pm	+18
80	Nil	27/11	21pm	17pm	Meggitt 5p	19pm	
65	Nil	25/11	4pm	1pm	Porter Chadburn 5p	2½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. e Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Oct. 21
- Last Dealings Nov. 1
- Last Declarations Jan. 23
- For settlement Feb. 3

For rate indications see end of London Share Service

Calls in Ferranti, Haemocell, Hunterprint, Kunick, ML Labs, and Premier Cons. Puts in French Connection and Maxwell Comms. Put and call in Greycoat.

LONDON TRADED OPTIONS

[illegible]

UK COMPANY NEWS

First the £15m winning franchise bid, now £14m savings outlined

Tyne Tees TV £2.95m in the red

By Clare Pearson

TYNE TEES Television, which retained its ITV franchise with a £15m bid, has outlined savings of at least £14m a year, partly arising from changes in the way that Channel 3 is regulated.

It included these details in a circular posted yesterday to convene an extraordinary general meeting at which shareholders will be asked to approve the company's bid, made against the background of first-half losses. It lost £2.95m pre-tax in the six months to June 30 and cut its dividend.

The circular contains a table, stated in 1993 prices, showing £10m of savings stamming from a combination of changes in payments to the Treasury, in the selling of Channel 4 airtime and in the way in which the cost of the network is shared out.

Additionally, it foresees a £4.2m saving in operating costs from measures, principally redundancies, carried out this year.

The interim pre-tax loss compared with a profit of £3.45m.

Shares in Yorkshire Television gained 12p to 166p yesterday as the company forecast its profit and dividend for the year to September 30.

The profit was estimated to be not less than £13m, compared with £18.4m, but the company expected to hold the final dividend at 8.7p for an unchanged total of 12p.

The forecasts were contained in a circular convening an EGM for shareholders to authorise acceptance of the Channel 3 award, which Yorkshire retained with a £37.7m bid.

The company said a 14 per cent fall in advertising revenue was the main factor behind the loss. At the same time, the company had had to continue paying the Exchequer levy, which at £1.13m accounted for 38 per cent of the loss.

The loss per share was 18.5p (earnings of 20.9p). Turnover fell to £28m (£31.7m). Programme costs were up at £13.8m (£10.4m). The company said this followed the transmission of two major drama series, adaptations of Catherine Cookson novels, during the early summer.

Investment income, net of interest payable, was down at £227,000 (£773,000).

The results were also affected by £2.4m of costs, taken as an extraordinary item, arising from the licence renewal application. That included the costs of closing the sales department and other staff reductions which had resulted in a saving of about £700,0000 over three months.

Staff costs were down at £6.75m (£7.49m). Other operating costs fell to £4.01m (£4.19m).

The company declared an interim dividend 17 per cent lower at 5p. It intends to recommend a final dividend of 9.5p (13p) making 14.5p (19p) for the year and is looking forward to a "significant recovery" in 1992, which would stem from the expected upturn in advertising revenue and controls over expenditure.

● COMMENT

Tyne Tees' £15m bid looked hefty compared with its advertising revenue, so it is not surprising to find it making a determined effort in the circular to show the ways in which this burden could be offset. Nevertheless, the feeling persists that Tyne Tees might, at some point in the future, decide not to go it alone. Following its reclassification as a "small" company, a bigger licence holder will be allowed to own it and Tyne Tees is particularly attractive as the biggest of the small ones. There is at least one possible interested party in the form of Yorkshire Television, with which it has amicable relations and which sits on 19 per cent of its shares. An enthusiastic broker's note sent the shares 8p higher to close at 259p yesterday.

Virani gives pledge at Control Securities

SHAREHOLDERS in Control Securities were assured yesterday that its bankers were standing by the property and leisure group, in spite of a Serious Fraud Office investigation into the company's links with the collapsed Bank of Credit and Commerce International.

Mr Nazmudin Virani, chairman and chief executive of Control, told a meeting of 300 shareholders that he was taking all steps necessary to minimise damage to the company and ensure that it continued to trade on a normal basis.

Asked why Control had used BCCI as a banker, Mr Virani said it was well known as a banker and was a major shareholder and tenant of Control when he took over.

Mr Virani, who runs the group with his two brothers, Alnashir and Zulfikar, repeated that neither he nor any of his brothers had been involved in any wrongdoing.

Control's shares have been suspended at 16½p since October 17, the day the SFO launched a dawn raid on the group's headquarters. The SFO is believed to be examining whether there is evidence of bogus transactions involving BCCI and companies within the Virani empire.

One shareholder suggested the chairman would welcome the shars suspension being maintained at present in case the price nosedived "unrelated to the net asset value of the company".

Mr Virani said, however, that he would "sincerely like to get the stock relisted". He would take the advice of the company's stockbrokers, UBS Phillips and Drew, about timing.

The chairman said the company was currently operating at a profit, in spite of the slowdown in property trading. The interim results to September 30 would be announced in early November, as they were last year.

Mr Virani said that over the next three years he would turn Control into more of a leisure company, but a property business would be retained.

The group, which owns more than 100 properties, 28 hotels and 770 public houses, was started six years ago by the Virani brothers, who were expelled from Uganda in 1972.

Change to cheaper suits pushes Moss Bros down to £102,000

By John Thornhill

INTERIM pre-tax profits at Moss Bros, the clothing outfitter, were almost wiped out as a result of "extraordinarily difficult" trading conditions.

They slumped from £1.1m to £102,000 in the six months to July 27, and there would have been a trading loss had it not been for an undisclosed contribution from receivable interest. Sales slipped from £24.98m to £23.27m.

The group, which accounts for one out of every 20 men's suits sold in the UK, said many of its customers were deferring purchases during the recession or looking for cheaper items.

"Men have traded down. Instead of buying a suit at £250 they are now buying a suit at £199. The average selling price of our suits has dropped by about 10 per cent," said Mr Rowland Gee, managing director.

The number of suits sold through its Moss Bros, Cecil Gee, Suit Company, and Savoy Tailors Guild outlets increased by 8 per cent during the period. But margins were eroded by the lower average selling price, rising costs, and the impact of VAT, which sapped more than £400,000 from the bottom line.

"Menswear has always been the first sector to catch it in the recession. Central statistics suggest that menswear has been running at 12 per cent down in volume terms. Our volume decline was 5½ per cent like-for-like so we are doing better than the national experience," Mr Gee suggested.

Trevor Humphries

Rowland Gee: doing better than the national experience

The hiring business recorded stable demand for its wedding suits although the corporate entertainment market was badly hit.

It has been decided to hold the interim dividend at 1.5p even though that means dipping into reserves. The final would depend on conditions in the second half and the prospects for next year.

Earnings per share dropped sharply from 4.32p to 0.41p.

Mr Gee predicted the group would be in a strong position to recover when trading conditions picked up because so many of its competitors had collapsed. "Something like 2,000 menswear shops have closed in the past two years and 400 in the past few months," Mr Gee said.

But he added: "To date we have felt no noticeable increase in demand."

Turriff profits collapse as recession hits

By Richard Gourlay

TURRIFF CORPORATION, the troubled Midlands conglomerate, yesterday announced a collapse in interim profits as its core plant hire and construction businesses were hit by recession.

Pre-tax interim profits for the six months to June fell from £1.65m to £44,000 on sales down 25 per cent at £86.5m.

Earnings per share fell from 14.7p to 0.5p and the company has passed its interim dividend.

The results came after the market had closed with Turriff's shares unchanged at 25p.

By the end of September the company had reduced its debt to £7.3m, from £9m in April. Interest over the reporting period fell from £746,000 to £287,000, but only after £349,000 had been charged against closure provisions created at the end of 1990 in connection with housebuilding in the south-east of England.

Trading profit for the period fell from £2.39m to £331,000 after exceptional redundancy costs of £190,000.

Mr Astley Whittall, the chairman, said that the group enjoyed the support of its bankers. It was dependent in the short term on bank facilities, which were being reviewed on a daily basis, and it was looking at ways to increase its capital base.

The group made a £1.95m extraordinary charge covering refinancing costs, after the group requested additional bank facilities last year, and provisions arising from the write-down of developments to realisable values.

Mr Malcolm Parker, the finance director, said the company was increasingly focusing on its core construction and plant hire businesses.

At the end of 1990 the group had withdrawn from housing development, was now out of all property development and only had to realise joint-venture investments.

Mr Whittall said the group had reduced its involvement in joint ventures from 15 to 11 and was continuing to withdraw from residential development in the south-east of England.

Losses continue at Regal Hotel

By Michiyo Nakamoto

LOSSES continued to snowball at Regal Hotel Group, the financially-stretched hotelier, which is putting its primary trading subsidiary into liquidation.

Severe financial difficulties have led Regal's directors to the decision to place RHL (Realisations), its trading subsidiary which until recently was called Regal Hotels Limited, into liquidation.

Members and creditors meetings have been convened for November 8.

Last year's results were announced for the first time yesterday and the accounts are qualified by the group's auditors.

Two of Regal's five major hotels, the Scotch Corner Hotel and the Beacons Hotel in Glasgow, have already been placed in receivership, while the remaining three hotels, the Leofric Hotel in Coventry, the Cumbrian Hotel in Carlisle and the Alexandra Hotel in Hove, are being acquired by Bramhope, a trading subsidiary which was formed by the group earlier this month, for approximately £9m.

New management is, in effect, being brought in by contracting out the management of these hotels to a company owned and operated by Sir David Roche and Mr Nicholas Crawley.

Regal, which was the subject of a reverse takeover by Rivoli Cinemas two years ago, reported an interim pre-tax loss of £2.18m (£1.75m) in the first half to July 1. Turnover fell to £2.29m (£2.69m) and the loss per ordinary share was 20.43p (16.50p). The interest charge rose to £1.49m (£983,000).

The first half deficit follows a loss before tax of £11.74m in the year to December 31 1990, up from £1.19m from April 6 to December 31, 1989 after a change in the year end.

Interest costs last year surged to £2.79m (£790,000).

Turnover in 1990 was at £5.34m (£2.95m) and loss per share was 109.99p (11.35p loss).

Four directors have left the group in the past year.

Charnos loss tops £1m at halfway stage

Charnos, the maker of tights, stockings and lingerie, showed an increased seasonal first half loss.

But the directors had no reason to expect that the 1991 full year result would compare unfavourably with the £2m profit of the previous year.

In the opening period turnover came to £19.8m (£18.1m) and the loss to £1.03m (£984,000). After a tax charge losses per share worked through at 34.97p (32.59p).

Guildhall Property rises to £974,000

In the first half of 1991 Guildhall Property lifted its pre-tax profit from £796,000 to £974,000, although the market remained difficult.

Turnover in the period to June 30 came to £1.7m (£1.27m). Earnings per share were 9.8p (8.5p).

Bolton Group

Bolton Group, the property owner and dealer, made a significant improvement to cut its loss in the second half from £497,000 to £250,000 for the year ended April 30 1991.

Turnover surged to £1.48m (£556,000). Losses per share were halved to 2.73p (5.43p).

Berry Birch returns to dividend list

CONTINUING progress at Berry Birch & Noble in the half year ended July 31 has justified a return to interim dividends.

Holders will receive 1p.

From turnover of £2.7m (£2.61m), this independent financial adviser and pension consultant pushed up its pre-tax profit by 30 per cent to £368,000 (£283,000).

A boost came from net interest receivable at £86,000 (£5,000).

Earnings rose 1p to 3.9p.

The last interim dividend was 1.5p, and the last payment was made three years ago.

Mr Derek Berry, chairman, said the demand for personal financial counselling continued to increase.

Despite adverse conditions, the mortgage division performed well.

The pensions side lifted its fee income and attracted a significant number of new clients.

Insurance broking had faced the greatest challenge, since some clients had been reluctant to increase premiums and had sought to reduce cover to the minimum.

Howevar, the schemes and personal insurances section remained buoyant, the chairman said.

BOARD MEETINGS

TODAY

Interims- Acorn Computer, Bradford Property Trust, Ind. Business Comms., Redamec, Ralston Inv. Trust, Seafield, Thames Television.
Finals- Gencor, Harmony Leisure.

FUTURE DATES

Interims-	
BDA Hldgs.	Nov. 1
Callens Hldgs.	Oct. 30
Delyn	Oct. 31
Evans of Leeds	Dec. 3
First Ireland Inv.	Nov. 7
Midland & Scottish Res.	Oct. 31
Oxford Instruments	Nov. 8
Parkland Textile	Nov. 30
Precious Metals Trust	Nov. 7
Renold	Nov. 4
WB Inds.	Oct. 31
Whitbread	Nov. 20
Whitbread Inv. Co.	Nov. 7
Wilton	Oct. 30
Finals-	
BBB Design	Nov. 1
Cosalt	Nov. 18
Cowan de Groot	Oct. 30
Leveraged Opportunity Tst.	Oct. 30

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Berry Birch	int	1	Dec 13	nil	-	1.5
Blacks Leisure	int	1.1†	Feb 7	1	-	3.25
Cook (William)	int	5†	Jan 8	5	-	14
Ldn Strathclyde	fin	4.25	-	3.95	5.75	5.45
Moss Bros	int	1.5	Dec 8	1.5	-	5
Noble Raredon	int	nil	-	0.1	-	0.1
TR Far East	int	1.1	Jan 2	1	4.2	4
Tyne Tees TV	int	5	Jan 2	6	-‡‡	19

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡‡Total for year forecast at 14.5p.

NEWS DIGEST

W&M has 38.1% of Invergordon

WHYTE & MACKAY, the UK subsidiary of American Brands, the US tobacco group, yesterday announced that it now owned or had received acceptances in respect of 48,522,266 shares in Invergordon, equivalent to 38.1 per cent.

The fight for control of Invergordon began in August this year when Whyte & Mackay launched a £286m hostile bid for the Scotch whisky group.

Invergordon has fiercely resisted the bid.

The battle intensified earlier this month when Whyte & Mackay increased its cash offer by £64m to £350m.

The offer closes on October 30.

James Millar, chairman of Invergordon

New Throgmorton asset value down

Over the six months ended September 30, New Throgmorton Trust (1983) saw its fully diluted net asset value per capital share drop from 160.1p to 153.5p.

A year earlier it stood at 115.4p.

Gross income in the period came to £3.48m (£3.26m) and earnings per share worked through at 4.48p (4.36p).

The trust has switched to quarterly dividends and a second interim of 1.5p makes 3p to date.

New Frontiers Tst spreads coverage

During the year ended September 30, New Frontiers Development Trust continued to invest in emerging and developing economies, and is now seeking to realise its North American portfolio which represents only 6.4 per cent of total investments.

Excluding UK government securities, the portfolio is 79 per cent (58 per cent) invested in those countries. For the first time investment was made in Argentina, Venezuela, Greece, Poland, Portugal and South Africa, while holdings continued to be built up in Mexico, Chile and Turkey.

Since then the trust has invested directly in Brazil, and received approval for similar action in Taiwan.

Net asset value at the year-end stood at 62.8p (61.6p), after writing down the value of unquoted investments of 8.6p per share.

In the year total income fell from £6.76m to £4.84m, and earnings per share dropped to 0.63p (1.27p). The dividend is again 0.25p, but last time there also a special 0.75p.

British Assets Trust asset value ahead

Net asset value per share at British Assets Trust stood at 94.72p on September 30 against 74.78p a year earlier.

Net revenue fell slightly, from £16.2m to £16m, and earnings per share worked through at 4.11p (4.17p). A final quarterly dividend of 1.04p (1p) is proposed bringing the total for the year to 4.04p (3.85p).

Total income amounted to £33.2m (£33.7m) with dividend income from subsidiaries at £11.3m (£11.1m).

● Invastors Capital Trust, which is 67.5 per cent owned by British Assets Trust, had a net asset value of 116.7p per share at September 30 compared with 91.3p a year earlier.

Net revenue for the year rose slightly, from £12.3m to £12.7m, with earnings per share working through at 6.12p (4.95p). The directors are recommending a final quarterly dividend of 1.275p (1.25p) for a total of 5.05p (4.85p).

Vinten placing and US acquisition

Vinten Group, the broadcast, video and photographic equipment and lighting company, is to purchase Bexel, a US video concern, for 1.53m shares valued at $6.9m (£4.1m) and expected post completion cash payments of $1m.

The vendor's shares are being placed with institutional investors at 265p apiece. Vinten is also placing additional shares at the same price to raise a further £4.6m.

California-based Bexel, which provides professional video equipment to US television network companies, made a pre-tax profit of $833,855 ($531,312) in the year to June 30 on turnover of $7.9m ($6.1m). Net assets were $2.34m ($1.3m).

The vendor has subsequently injected $2.3m cash into Bexel, which has been used to repay the majority of the company's debt.

Peek reduces navigation activity

Peek, the traffic field data systems company, is reducing the scale of activity at its navigation subsidiary, Navstar, based in Daventry.

Costs of the restructuring will be shown as an extraordinary item in the 1991 accounts. The book value of Navstar's net assets were about £2m at September 30 1991.

City of Oxford net asset value higher

Net asset value per share of City of Oxford Investment Trust at September 30 amounted to 37.9p compared with 30.6p a year earlier.

Earnings were 2.83p (2.21p). A second interim dividend of 1.2p makes 2.4p to date.

Geared Income

In the half year ended September 30 1991 Geared Income Investment Trnst produced total revenue of £1.2m and earnings per share of 3.62p.

A second interim dividend of 1.75p is declared.

On September 30 the net asset value per share stood at 97.55p.

UK COMPANY NEWS

Wm Cook hits at steel subsidies

By Richard Gourlay

MR ANDREW Cook, chairman of the Sheffield-based foundry group William Cook, yesterday attacked state subsidies for European steel makers and criticised the government for not doing more to fight the UK industry's battles in Brussels.

He made this statement after announcing a fall of 30 per cent to £4.05m in interim pre-tax profits.

Mr Cook said subsidised European competition, which had been made worse by the ending of the cold war, meant the industry faced a gloomy immediate future.

"Some European producers are penetrating the UK market at prices below my costs and below their costs and are making huge losses," Mr Cook said.

The warning comes shortly after ASW Holdings, the Cardiff-based steel and wire group, said that continental European steel prices were not "sustainable unless supported by state aid or subsidy".

In July, British Steel also added its weight to the argument with Brussels. Sir Robert Scholey, the British Steel chairman, complained to the European Commission about Credit Lyonnais' proposal to take a 10 per cent stake in Usinor-Sacilor, both of which are French state-owned enterprises.

British Steel's complaint was supported by a letter to the Commission from Mr Peter Lilley, the Trade Secretary, and may have helped prompt the Commission into sponsoring an investigation of the deal.

Mr Cook says the DTI makes general protests about suspected foul play and suspected hidden subsidies but has shied away from specific assistance for smaller producers, like William Cook.

The company announced a fall in pre-tax profits for the six months to September from £5.80m to £4.05m on sales 20 per cent lower at £56.81m. Earnings fell from 20.5p to 12.96p but the interim dividend is held at 5p.

Cook is currently keeping Brussels lawyers busy on four of its complaints to the Commission, one of which it has now taken to the European Court.

This case involves PYRSA (Piezas y Rodejas), a Spanish foundry where the government holds a 5 per cent stake but has provided half the capital.

Mr Cook says that although the Commission discovered evidence of state subsidy, it "washed its hands of the matter" and did not seek repayment to the Spanish government of the alleged aid.

Cook has taken the case to the European Court, seeking a ruling that the Commission was guilty of dereliction of duty in allowing the subsidies in the first place.

Another Cook crusade has led to anti-dumping charges against Voest-Alpine of Austria. He has also made a similar complaint against South African manganese steel makers, claiming that they receive a subsidy for tooling up on many export orders which is equivalent to a price advantage of up to 20 per cent.


UK steelmakers: help needed for a brighter future

The newest threat to UK steel makers is looming from what was East Germany.

Guarantees of commercial bank loans by the Treuhand, the state body responsible for selling off East German state-held industries, has kept afloat a Magdeburg-based steel producer, Stahlgiesserei Rothansee, and allowed it to sell below cost in the UK market, Mr Cook has complained to the Commission.

Branson to sell Voyager stake to fund growth

By Paul Betts

MR RICHARD Branson is planning to sell a 20 to 25 per cent staka in his Voyager Travel holding company, which controls Virgin Atlantic Airways, to raise about £50m to finance the expansion of his long-distance airline.

Mr Branson said yesterday he had so far not approached any potential investors, but confirmed that his group had appointed Salomon Brothers, the US investment bank, to organise the sale of the stake.

"Although the company does not need outside funding to run at its present level, we felt it was a good time to consider the sale of a minority stake to help finance our expansion into new routes," he said.

Mr Branson added that he had decided "some time ago" to seek more equity funding in the holding company, which also controls Virgin Holidays, Virgin Cargo, other aviation services and print distribution. The Japanese Seibu Saison group already has a 10 per cent interest in Voyager.

Mr Branson planned to expand his airline to serve "12 long-distance business cities around the world" with a fleet of between 16 and 18 large capacity aircraft. The company currently flies eight Boeing 747s. He was considering acquiring more 747s but was also thinking of ordering Boeing's new 777 twin-engine wide-body airliner.

The company's short-term plans were to start services next year to Johannesburg, San Francisco and Washington DC. It was also seeking additional landing and take-off slots at Tokyo to enable it to operate a service to Japan.

The UK Civil Aviation Anthority was dne to bold hearings next month on Virgin's application for additional slots at Tokyo, which were being fiercely opposed by British Airways.

Virgin Atlantic, which is expected to show sales of between £300m and £350m this year, is also challenging British Airways at London's Heathrow airport following the UK government's decision to open Heathrow to more airline competition.

Blacks Leisure beats recession with 21% advance to £2.2m

By Peggy Hollinger

STRONG sales of fashion footwear carried Blacks Leisure Group, the camping goods and sportswear retailer, to interim pre-tax profits 21 per cent higher at £2.2m, in spite of a tough trading environment.

Mr Simon Bentley, chairman and chief executive, said the results had been held back by the final £1.7m payment for Teesside Sports, acquired in 1987. Earnings per share were also depressed by the £4.7m 2-for-5 rights issue in June, rising just 0.02p to 6.41p.

Mr Bentley said that, although he was pleased with the results, the severe downturn in retailing meant a cautious approach should be adopted to the second half.

He stressed the importance of winter trading to the retailing division. "Christmas is very important and difficult to anticipate," he said. He added, however, that the group was confident of a satisfactory performance for the full year.

Turnover for the 26 weeks to August 31 grew 15 per cent from £29.4m to £33.85m.

In sports distribution Fila footwear was the star performer, said Mr Bentley. The division had performed "tremendously well", with profits up by 44 per cent to £2.3m. Blacks has the distribution rights to Fila and LA Gear sportswear in the UK.

The sports and outdoor retailing business was hardest hit, with profits down 31 per cent to £1.1m. Bearing the brunt of VAT increases had put pressure on margins. Nevertheless, Blacks had opened six new outlets, bringing the total to 86. Three more are planned this year.

Capital expenditure would be about £2m for 1991, with heavy emphasis on increasing warehousing space.

The fashion and textiles division – which includes Miss Sam, the ladieswear manufacturer, and S Eker, the cloth finisher – turned in flat profits of £100,000.

S Eker, which reported losses of £299,000 for the whole of last year, was now operating profitably. Blacks aimed to expand Miss Sam's exporting capabilities in the near future, Mr Bentley said.

The board recommended a 10 per cent increase in the dividend to 1.1p. Shares, which have risen steadily in the past year from 42p, closed 6p up yesterday at 109p.

Losses rise at Noble Raredon

By Andrew Bolger

NOBLE RAREDON, the holiday and photographic company which asked for its shares to be suspended a year ago in the wake of the collapse of Polly Peck International, yesterday reported bigher interim losses.

The company is controlled by Mrs Bilge Nevzat, younger sister of Mr Asil Nadir, chairman of Polly Peck. The shares were suspended at 26p after two of its banks reduced or withdrew banking facilities following Polly Peck's demise.

Mrs Nevzat's company increased pre-tax losses from £970,000 to £1.57m in the six months to April 30, in spite of a rise in turnover from £4.17m to £5.19m, and is passing the interim dividend (0.1p).

In February the company said it planned to sell Elite Optics, its UK overhead projector business, in an effort to avoid the fate of Polly Peck. However, it yesterday admitted that strenuous efforts to make disposals and reduce financial constraints had not yet been concluded.

The company blamed its losses on the effect of the Gulf war on tourism to Turkey and northern Cyprus. It had continued to trade at a much reduced rate of loss in the second half, but hoped to return to a satisfactory level of profitability next year.

Davenport Knitwear up by £10,000

A cut in the operating loss helped Davenport Knitwear to increase pre-tax profit by £10,000 to £214,000 in the first half of 1991.

The company, which manufactures knitted fabrics and garments, reduced its trading loss to £36,000 (£59,000) as turnover showed a small improvement to £3.33m (£3.16m). Investment income contributed £308,000 (£320,000). Earnings per share were 8.18p (7.66p).

For the whole of 1990 the group made a pre-tax profit of £944,000, with the trading balance contributing £238,000.

Powerscreen buys main rival

By Peggy Hollinger

POWERSCREEN International, the Northern Ireland based maker of screening and crushing equipment, is buying its main competitor, Finlay Engineering, for cash and shares worth £4.4m.

The acquisition is Powerscreen's second in four months and takes the group into the Australian and Far Eastern markets for the first time.

In July, Powerscreen paid £3.2m cash for Matbro, which manufactures telescopic handling equipment – a type of forklift truck.

Mr Shay McKeown, chief executive, said the acquisition of Finlay, which makes hard rock crushers and washing and waste reclaiming equipment, would enhance group earnings.

"This underpins the distribution part of Powerscreen's business and removes a large degree of competition," he said.

Mr McKeown added that Finlay's hard rock quarrying expertise would reduce Powerscreen's research and development needs.

In the year to December 31, Finlay reported pre-tax profits of £536,133 on turnover of £12m. Mr McKeown said he expected Powerscreen's marketing strength to raise Finlay's contribution next year to at least £750,000.

Powerscreen, which reports its interim results next Tuesday, is expected to unveil pre-tax profits of about £10m, compared with £9m last year.

It is paying £1.2m cash and issuing 1.5m new shares, which will not be eligible for the forthcoming interim dividend.

Powerscreen shares closed down 2p yesterday at 213p.

Powerscreen, which in recent years has pursued a policy of nil gearing, will make the cash payment from existing balances.

Sunleigh sells subsidiary as losses rise

By Michiyo Nakamoto

THE RESTRUCTURING of Sunleigh from a diversified industrial and leisure products group to one more focused on leisure is continuing with the sale of its electrical terminator and connector subsidiary Sunleigh Electrical Developments.

SED is being sold for a maximum cash consideration of £1.62m, of which £1.27m is being paid immediately.

At the year end, Sunleigh – with debts of £4.5m – was in danger of exceeding its £4.5m banking facilities. It has since reduced debt to about £1.7m with the proceeds of a £3.8m placing and rights issne launched in March.

The proceeds of the disposal will now eliminate the group's borrowings and leave it in a cash positive position.

Mr Sandy Saunders, the company doctor whose services were enlisted almost exactly a year ago to turn the struggling group round, said Sunleigh could now proceed with acquisitions in consumer product areas.

Sunleigh is also taking measures to tighten internal financial controls, as it reported an increased pre-tax loss at the interim of £1.34m compared with a loss of £191,000.

The taxable figure for the six months to June 30 came on turnover of £5.34m (£11.12m) and a trading profit of £175,000 (£1.07m). Business in the first half was hit by the lack of Japanese and American tourists due to the Gulf War, Mr Saunders said.

Faulty components in Powa Kaddy golf caddies were another major cause of lower turnover. This failure led to exceptional costs of £1.02m (£853,000).

There is no interim dividend. The group expects to see a small results improvement in the second half

COMMODITIES AND AGRICULTURE

Oil prices slip as winter prospects disturb market

By Deborah Hargreaves

OIL PRICES slipped yesterday, the market remaining unsettled about the outlook for winter weather and possible disruption in supplies of Soviet gas oil.

A busy market in London pushed the price of North Sea Brent crude oil for December delivery down by 50 cents a barrel to $21.55 a barrel yesterday. The move came only a fortnight after the market hit a post Gulf war high with prices a dollar higher.

"This was just a hiccough, the worst is yet to come," said Mr Peter Gignoux, director of international energy at Lehman Brothers in London.

Many merket observers believe traders have pushed crude prices too high in anticipation of supply problems in the next three months. If the winter is not abnormally cold, or gas oil deliveries from the Soviet Union continue without disruption, the market could be set for a fall of several dollars.

Mr Peter Bogin at Cambridge Energy Research Associates, the consulting group in Paris, believes that prices will drop in the next few weeks unless there is an unexpected crisis. By the end of November, normal seasonal weather should spark some firming in price to a level for Brent of $22.75 to $23.50 a barrel.

Although prices have slipped in the last couple of days, output from the Organisation of Petroleum Exporting Countries continues without cuts. Opec is producing 23.9m barrels a day (b/d), according to CERA, owing to a slow rise in Kuwaiti production which is now at 300,000 to 350,000 b/d.

In the US, Purvin & Gertz, the US market analysis group, believes that Opec is taking an optimistic view of the fourth quarter and high output will lead to some companies building stocks during the period.

This is nnusual for the final quarter of the year when companies normally draw on stored oil.

Mr Ken Miller, senior consultant et Purvin & Gertz, says this could mean weak prices early next year and in the second quarter when companies start to offload these stocks.

Impala Platinum dispute grows and hits all group's operations

By Philip Gawith in Johannesburg

THE labour unrest which has plagued Impala Platinum's activities in Bophutatswana since July worsened yesterday with production at all the group's operations affected.

There was no production at the Wildebeestfontein North mine, which management closed last week, nor at Bafokeng North. Production at the Wildebeestfontein South and Bafokeng South mines, and the mineral processing plant, has been affected by high levels of absenteeism.

Genmin, Impala's parent grouping, said several buildings and vehicles had been set alight early yesterday and the general manager of Bafokeng South had been assaulted. The statement said there was widespread intimidation among the workforce.

Genmin said the latest incidents were probably linked to the dismissal of 76 workers over the weekend following disciplinary hearings.

The hearings were related to their conduct during a sit-in at Wildebeestfontein North earlier this month when supervisory personnel were prevented from leaving underground areas.

Impala's problems centre around the fact that the South African based National Union of Mineworkers (NUM), to whom about 60 per cent of Impala's workers belong, is not allowed to organise in the nominally independent homeland of Bophutatswana. Last week Mr Michael McMahon, managing director of Impala, said the Wildebeestfontein North mine would remain closed until agreement could be reached with worker representatives on what constituted "normal working practices".

He acknowledged that Impala had bought platinum on the futures market to ensure that it could meet its contractual commitments when the current disruptions worked their way through the production process to cause shortages. Impala is the world's second largest platinum producer, with annual output of about 1.1m ounces.

Production cut at Highland Valley

By Bernard Simon in Toronto

A LABOUR dispute has cut production by about 25 per cent at the Highland Valley copper mine in British Columbia, and a full work stoppage is possible later this week.

Talks on a new labour contract with representatives of the mine's 1,150 workers broke down late last week.

An official of Rio Algom, which has a 33 per cent stake in the mine, said yesterday that "we're fairly close to a settlement, hut we're having a problem getting the union to endorse the offer to its membership."

The mine's mill normally has a throughput of 136,000 tonnes of ore a day. The work slowdown has affected mainly mining and stripping operations, and the mill is drawing on stockpiled ore.

Management has offered to make a further concession on the key issues of wages, pensions and severance pay, but only on condition that the United Steelworkers of America's bargaining committee recommends the new contract to its members.

Workers earlier voted by an overwhelming majority for strike action. Uoder British Columbia law, notice of 72 hours is required for a strike or lockout.

Aur seeks to develop Louvicourt

By Robert Gibbens in Montreal

AUR Resources, a small Quebec mining company backed by two big resource groups, is negotiating finance to develop the Louvicourt copper-zinc-gold deposit in the north west at a cost of nearly C$400m.

Aur has been working on the deposit, near Val d'Or in north west Quebec, for nearly ten years.

Its president, James Gill, said the full feasibility study just received indicated the new mine would generate revenues of C$2hn over a 14-year life, based on present reserves.

Alberta to hold public hearings on pipeline proposals

By Bernard Simon in Toronto

THE ALBERTA government plans to hold public hearings on two competing proposals to huild a natural gas pipeline to California in the hope that one of the groups will be persuaded to back away from its plan.

Mr Rick Orman, the province's energy minister, said the Alberta Energy Resources Conservation Board will not make any specific ruling on the Pacific Gas Transmission (PGT) and Altamont projects, whose members include some of North America's leading ntilities and gas producers and distributors.

But Mr Orman said that the hearings would facilitate "a market-hased" decision. "To date, we have had a beauty contest between two projects," he said. "What we need is a mechanism where people know what the facts are, not what the dreams are."

Alberta is concerned that a go-ahead for both projects will further weaken gas producers' bargaining power in the key west coast market, and dent its royalty income from the natural gas industry.

Producers are already being squeezed hy over-supply, and there is little hope of the market being in sellers' favour when the projsets come on stream in late 1993. Authorities in California, in particular, have made no secret of playing producers off against each other to secure the best prices.

PGT, a subsidiary of the San Francisco-based utility Pacific Gas & Electric Co. is proposing a US$1.5bn expansion of its existing 1,200 km pipeline through British Columbia and then southward through Washington and Oregon. The PGT pipe would carry 755m cubic feet of gas a day to California and another 148m cubic feet to other parts of the Pacific North West.

The second proposal is sponsored by Altamont Gas Transmission Co of Houston, whose shareholders are Tenneco Gas, Amoco Canada Petroleum and Montana Power.

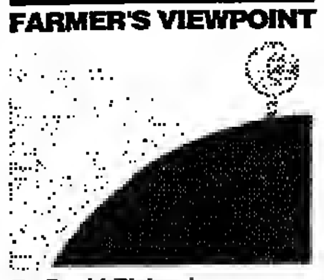
Altamont is planning a US$573m pipeline with a capacity of 719m cu ft a day. It would folow a 990km route through Montana to a large gas distribution junction in Wyoming from where gas would be pumped to southern Califrona through an existing pipeline.

The fate of each project is likely to depend on its ability to find outside financing. Both groups hope to persuade lenders that they have signed shipping cointracts for their full capacity. But some of the contracts appear to be more watertight than others.

Refined arguments go to Brussels

Growers hope the UK will take a tough line on sugar beet quotas

FARMER'S VIEWPOINT



By Devid Richardson

Sngar beet has evoked mixed emotions among farmers since it was introduced to the UK about 80 years ago. From the start the beet was a reliable earner among a host of volatile crops and prices, but it involved the hardest work in the worst weather conditions and harvesting it through the winter caused all kinds of damage to the structure of the soil.

Today, much of the drudgery has heen eliminated by mechanisation but the system of qnotas under which it is grown, and which continues to make sugar beet an attractive financial proposition, gives rise to some dissatisfaction at farm and national level.

On the farm, the main part of the problem is really to do with the weather. Three dry summers in euccession has meant that some growers, especially on light, sandy land, have grown smaller crops than usual and failed to fulfil their quotas.

The contract growers have with the monopoly buyer, British Sugar, states that if they are unable to produce the tonnage of eugar stated on the document their entitlement for future years may be reduced. Moreover, the calculation is based on what has been produced in the best two of the previous three years.

The three-year drought has caught some farmers ont. They could not believe that the shortage of rainfall would go on for three seasons and did not plant extra hectares of sugar beet to allow for the possibility.

In addition, potential shortages of domestic and industrial water supplies caused the National Rivers Authority to halt crop irrigation in some areas, thereby inhibiting the farmers' ability to maximise yields and achieve qnota tonnage, which the growers in question claim they would have done.

Needless to say, this minority of disadvantaged growers claim theirs is a special case and that they should be absolved from responsibility and allowed to retain their full quota.

The National Farmers Union, which has been drawn into the situation against its will, appears to be sitting on the fence. After all, it has many members who would like more sugar qnota if there were ever the possibility of a redistribution, so the union may well take the view that there would be little mileage in fighting battles for people who have manifestly failed to comply with their contracts.

British Sngar seems even less likely to want to agree to vary the terms of its contracts. It is in the company's interests to have sugar beet grown hy the best farmers on the best soils. That way, it can keep down the prices it pays to farmers withont too many of them claiming to be inadequately rewarded.

The company says it has too much sugar beet contracted to it in any case and takes every opportunity, such as the change of ownership of a farm, to chop-off a chunk of quota from the in-goer

It seems highly prohahle, therefore, that growers who have failed to reach their quotas will have to accept their punishment and put it down to the beginning of the greenhouse effect or something like it. Indeed, some insiders take the view that if this is the start of a significant change in the climate, it may be that farmers who can produce economic yields only with the addition of artlflcially-applled water should not be attempting to grow sugar beet.

However, there is another side to the story. For within the EC the UK sngar beet industry is uniquely disadvantaged and this, too, is because of the system of quotas.

Each EG member state has a gross sugar qnota entitlement to distribnte among its farmers. This consists of a basic, so-called A quota, which is intended to cover annual usage, together with an additional and smaller B quota for strategic reserve and to guard against a shortfall in the event of unfavourable weather.

All A and B sugar has its price guaranteed hy the EG, the B at 37¼ per cent less than the A. Any excess production above A and B is designated C sugar and must be exported on to world markets at much lower world prices without guarantees or export subsidies.

In practice, most of the B sugar, which across the EC amounts to about 2m tonnes annually, is also exported, its lower price helping to finance the operation. Indeed, this subsidised trade is one of the subjects of dumping accusations by GATT negotiators and others seeking to liberalise world trade.

The UK beet industry, however, has a total A and B sugar quota of 1.14m tonnes which amounts to just 49 per cent of domestic consumption. Moreover, while contributing nothing to the exportable surplus of B sugar, this country, under the terms of the quota arrangements, is forced to co-fund those who do.

Worst offenders in order of importance are France, Germany, Belgium, Holland and Denmark. Indeed, only Portugal and the UK within the EC are deficit sugar producers.

There is a historical reason for this situation in the UK. When Britain joined the EC in 1973, the accession agreement included the rights of Gommonwealth countries to continue to supply raw cane sugar to the refiners in this country. These rights are still observed and account for much of 51 per cent of the sugar consumed in Britain each year not produced from heet. There has never been any attempt by the UK sugar beet industry to interfere with these arrangements.

The UK industry does, however, object to the way EC quota is allocated. Essentially, this appears to be done on the hasis of past prodnction instead of previous consumption. In 1981, for instance, the UK sugar quota was cut by 13.7 per cent because it had failed, because of drought, to fulfil its quota during the late 1970s.

With negotiations imminent for a further agreement to come into force on July 1, 1993, it seems inevitahle that the UK will he hidding for a bigger national quota. There are solid reasons why it should he granted.

Because of its structure and single company management, the UK processing industry claims to be the most efficient in Europe. Similarly, the large average size of farms in the eastern counties and the West Midlands, where all of Britain's sugar beet are grown, allow growere economies of scale denied in most other EC countries.

Arguably even more important, however, is the fact that consumption of sugar in the UK has risen by some 75,000 tonnes over the last decade as a result of increased usage hy food manufacturers and hy industry. Furthermore, this trend is forecast to continue and to amount to at least 100,000 tonnes by the year 2000.

If the UK sugar quota is not increased, therefore, this country may be forced to import sugar from other EC countries at a cost, at present levels, of about £480m per year. The current trade deficit for food is £6bn, £4bn of that being with northern European nations.

The alternative which some hig food processors are said to be considering, would be for them to move their operations to Europe where raw materials are in more than adequate supply. The balance of payments implications of that would be even more horrendous.

There is every reason, therefore, for Britain to be tough over beet quotas in Brussels.

Oppenheimer warns on viability of potential gold mines

By Kenneth Gooding, Mining Correspondent

MOST OF Soutb Africa's potential gold mines would not be viable unless the price of the precious metal was about US$500 a troy ounce, said Mr Harry Oppenheimer, former chairman of the Anglo American Corporation of South Africa, yesterday.

Gold closed in London last night at $358.85 an ounce.

The four lowest-cost potential South African gold mines would need a price of $400, Mr Oppenheimer suggested during a seminar in London organised by S G Warburg, the financial services organisation.

With gold at $350 an ounce, nine of South Africa's operating mines, prodncing a total of 70 tonnes of gold a year, were not covering their working costs.

"Under present conditions the South African annual gold output (600 tonnes) could fall by somewhere between 100 and 200 tonnes, that is by possibly as much as 30 per cent, between now and the year 2000," he added.

South Africa needed about 10 new mines during this decade to maintain its present gold output into the next century. It was estimated that already there were 20,000 tonnes of gold in the industry's exploration targets, enough for 15 new mines. But it would cost nearly $20bn in today's money to bring them into production.

Mr Oppenheimer was optimistic that the gold price would rise to a level which would enable South Africa to continue producing about 500 tonnes a year until the year 2,015 and beyond.

"All things come to an end, even a depressed gold price, and gold, barharous relic though it may be, has a long and resilient history," he said.

● Copper was emerging from the recession in better shape than other traded metals because stocks were lower than thos of other metals and represented only about four to five weeks consumption, Mr Douglas Yearley, chairman of Phelps Dodge Corporation, the largest US copper producer, told the conference.

At the bottom of the previous recession in early 1983 copper stocks stood at more than 13 weeks of consumption, pushing prices to the 60 cents a lb level.

WORLD COMMODITIES PRICES

MARKET REPORT

Aluminium closed just $1 ebove the day's low on the LME yesterday. Traders said the lack of follow-through to Friday's rise on news of Hoogovens production cut saw prices move lower on the pre-market under commission house selling and liquidation. Sell stops were later triggered when the price for three-month metal moved down through $1,200 a tonne. Although some eupport appeared below this level, the merket generally remained under pressure up to the close. Fundamentally the market still needs more production cuts, or a demand surge, before a change in sentiment is seen, treders said. Nickel closed marginally higher in quiet trade. Dealers said the market had become hesitant since news late last week that Soviet producer Norilsk wes considering withdrawing from the export market due to low prices. London cocoe prices recovered earlier losses to close with small gains. Traders were baffled by the sharp upward revieion in third querter UK cocoa grindings, and said it hed had minimal effect on prices. According to the revised statistics, UK grindinge in the third quarter rose 42.6 per cent on the same quarter last year. The finsl figure was edjusted to 41,953 tonnes from 32,851 tonnes released earlier this month.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOS)		+ or -
Dubai	$18.35-8.45z	-.075
Brent Blend (dated)	$21.85-2.00	-0.20
Brent Blend (Dec)	$21.75-1.86	-.125
W.T.I. (1 pm est)	$23.10-3.20z	-.125

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$238-240	+1
Gas Oil	$214-216	-7
Heavy Fuel Oil	$85-86	-1
Naphtha	$214-215	-1.5

Petroleum Argus Estimates

Other		+ or -
Gold (per troy oz)♣	$358.85	-3.30
Silver (per troy oz)♣	407.5c	-4.0
Platinum (per troy oz)	$360.75	-3.25
Palladium (per troy oz)	$85.25	-0.75
Copper (US Producer)	110.5c	
Lead (US Producer)	37.8c	
Tin (Kuala Lumpur market)	14.64r	+0.03
Tin (New York)	266.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	100.30p	+0.57*
Sheep (dead weight)†	111.98p	-0.53*
Pigs (live weight)†	78.31p	+0.66*
London daily sugar (raw)	$229.9|	-3.0
London daily sugar (white)	$265.0|	-4.0
Tate and Lyle export price	£243.5	-1.5
Barley (English feed)	£117	
Maize (US No. 3 yellow)	£141	
Wheat (US Dark Northern)	£101	
Rubber (Doc)♥	53.50p	
Rubber (Jan)♥	53.25p	
Rubber (KL RSS No 1 Nov)	228.5m	-0.5
Coconut oil (Philippines)§	$595y	+30
Palm Oil (Malaysian)§	$355u	
Copra (Philippines)§	$372.5x	
Soyabeans (US)	£150	-1.8
Cotton "A" index	67.25c	
Wooltops (64s Super)	412p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Jan t-Sep/Dec u-Nov x-Nov/Dec y-Dec/Jan z-Dec |-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close m-Malaysian cents/kg. ♣Correction for Oct.24 Silver (per troy oz) 412.5

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	196.80	200.00	190.00
Mar	194.80	190.80	193.80 190.00
May	194.80	196.40	193.00 190.00
Aug	198.80	195.40	194.00
Oct	199.80		193.00

White	Close	Previous	High/Low
Dec	286.0	283.0	284.0 283.0
Mar	283.5	280.0	282.5 279.9
May	282.7	279.2	279.7 279.0
Aug	283.0	280.2	280.0 280.0

Turnover: Raw 129 (196) lots of 50 tonnes. White 149 (378)
Paris- White (FFr per tonne): Dec 1889.85, Mar 1857.46

CRUDE OIL – IPE ($/barrel)

	Close	Previous	High/Low
Dec	21.79	21.79	21.88 21.57
Jan	21.60	21.58	21.66 21.38
Feb	21.35	21.34	21.20 21.18
Mar	21.00	21.05	21.00
Apr	20.75	20.75	20.75
IPE Index	22.11	21.78	

Turnover 20472 (14238)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Nov	214.25	216.75	217.50 214.00
Dec	215.50	221.00	218.60 215.00
Jan	213.25	218.00	215.25 213.00
Feb	205.50	209.00	207.00 205.50
Mar	197.50	200.75	199.00 197.50
May	184.00	185.50	184.00
Jun	180.00	182.00	180.00

Turnover 13317 (11318) lots of 100 tonnes

TEA

There were 17,884 packages on offer, reports the Tea Brokers Association. Quality Assams were the feature of the sale, again selling well above valuation, while selected coloury mediums also advanced. Plain sorts met rather more demand but there were some withdrawals. Bright liquoring east Africans met good competition and often moved dearer but mediums were irregular and plainer types which opened about steady closed 2-3p down. Prices: quality 220p, medium 117p, low medium 77p.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Dec	748	747	748 740
Mar	786	784	788 780
May	812	807	812 804
Jul	835	830	835 828
Sep	859	853	857 852
Dec	885	879	881 876
Mar	910	902	904 899
May	925	921	917
Jul	939		935 933
Sep	955	956	954 946

Turnover: 6203 (3512) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct. 25 933.87 (939.38) 10 day average for Oct. 28 942.77 (948.15)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
Nov	528	537	530 528
Jan	550	565	552 544
Mar	556	564	560 553

Turnover: 1853 (2339) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct. 25: Comp. daily 63.70 (64.05) 15 day average 63.09 (62.90)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Mar	133.0		132.0
Apr	127.9	130.4	129.5 127.1
May	142.8		142.0

Turnover 130 (103) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Dec	131.50	132.00	131.50
Apr	135.00	136.00	136.00
Jun	129.50	129.50	129.50

Turnover 75 (17) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Nov	1695	1700	1700
Jan	1716	1720	1716 1711
Apr	1720	1720	1720 1711
Oct	1570	1488	1580 1580
BFI	1650	1649	

Turnover 47 (117)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Nov	118.45	118.60	118.30
Jan	122.15	122.30	122.00
Mar	125.20	125.35	125.60
May	127.85	128.10	127.66

Barley	Close	Previous	High/Low
Nov	113.85	115.95	113.80 113.65
Jan	117.65	117.85	117.65

Turnover: Wheat 145 (158), Barley 34 (221). Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	96.6		98.0

Turnover:12 (12) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Index	134.74	134.95			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 25,235 lots
Cash	1157-8	1177-8		1156-7		
3 months	1186-7	1205-6	1210/1187	1195-6	1188-90	126,638 lots
Copper, Grade A (£ per tonne)						Total daily turnover 24,031 lots
Cash	1386-7	1374-6		1390-2		
3 months	1371-2	1363-4	1376/1371	1374-6	1371.5-2	107,134 lots
Lead (£ per tonne)						Total daily turnover 2,666 lots
Cash	299-300	298.25-8.75		229-9.5		
3 months	311-1.5	311.25-1.50	311.5/310.6	310.25-0.5	311-1.5	12,331 lots
Nickel ($ per tonne)						Total daily turnover 4,448 lots
Cash	7395-405	7375-90		7390-400		
3 months	7410-20	7400-01	7420/7400	7400-5	7410-20	18,916 lots
Tin ($ per tonne)						Total daily turnover 521 lots
Cash	5520-30	5525-35		5510-5		
3 months	5590-5	5590-5	5600/5590	5590-600	5560-5	5,341 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 3,688 lots
Cash	997-8	1003-4		998-9		
3 months	1016-7	1020-1	1021/1015	1015-6	1017-6	28,024 lots

LME Closing £/$ rate: SPOT: 1.7035 3 months: 1.6826 6 months: 1.6661 6 months: 1.6492

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	358.60-359.10	
Opening	359.70-360.10	
Morning fix	359.50	211.086
Afternoon fix	358.50	210.141
Day's high	359.90-360.20	
Day's low	357.80-358.10	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.86	6 months	4.63
2 months	4.82	12 months	4.62
3 months	4.70		

Silver fix	p/fine oz	US cts equiv
Spot	209.70	408.35
3 months	246.05	413.86
6 months	252.00	419.15
12 months	264.20	430.75

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	358.50-359.50	210.25-211.25
Maple leaf	368.50-369.50	216 00-216.50
New Sovereign	87.50-88 50	51.25-51.70

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
500	55	64	5	8
550	23	32	23	36
600	7	14	57	58

Cocoa	Dec	Mar	Dec	Mar
725	36	66	13	23
750	22	71	24	33
775	13	57	40	44

Brent Crude	Dec	Jan	Dec	Jan
2200	21	37	62	92
2250				
2300	6			

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	359.0	360.9	0	0
Nov	359.2	361.1	0	0
Dec	360.6	362.7	361.5	359.5
Feb	363.6	365.4	363.0	362.6
Apr	366.2	368.1	366.7	365.2
Jun	369.0	3370.8	369.7	368.5
Aug	371.8	373.7	0	0
Oct	374.6	376.5	0	0
Dec	377.6	378.6	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	358 0	364.4	0	0
Jan	361 0	367.4	366.2	360.2
Apr	364.5	370.9	369.0	364.0
Jul	368.1	374.5	0	0
Oct	374.9	381.3	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	406.4	408.2	0	0
Nov	406.6	408.8	0	0
Dec	408.5	410.5	409.0	403.0
Jan	410.3	412.4	410.0	410 0
Mar	414.6	416.9	416.6	410.0
May	419.0	421.2	416.0	415.0
Jul	423.0	425.2	422.0	421.0
Sep	427.5	429.7	0	0
Dec	434.1	436.4	434.0	430.0
Jan	436.7	439.1	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	106.60	106.00	106.90	106.90
Nov	106.55	105.65	106.50	160 65
Dec	106.15	105.20	106.20	105.05
Jan	106.00	104.10	0	0
Feb	104.45	100.55	0	0
Mar	103.90	103.00	103.76	102.90
Apr	103.35	102.45	0	0
May	102.85	101.95	102.00	101.90
Jun	102.50	101.60	0	0
Jul	101.95	101.05	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.85	8.69	8.87	8.67
May	8.75	8.61	8.78	8.61
Jul	8.73	8.57	8.73	8.58
Oct	8.71	8.56	8.71	8.57
Mar	8.63	8.53	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Dec	23.21	23.12	23.30	22.89
Jan	23.02	22.91	23.10	22.73
Feb	22.76	22.67	22.85	22.52
Mar	22.50	22.38	22.55	22.26
Apr	22.23	22.10	22.29	22.00
May	22.00	21.86	22.06	21.96
Jun	21.80	21.66	21.84	21.60
Jul	21.63	21.49	21.65	21.44
Aug	21.49	21.35	21.52	21.32
Sep	21.37	21.23	21.40	21.40

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Nov	6824	6843	6845	6770
Dec	6923	6936	6936	6855
Jan	6946	6950	6950	6875
Feb	6793	6785	6795	6700
Mar	6473	6460	6470	6380
Apr	6188	6170	6196	6106
May	6003	5980	5970	5970
Jun	5878	5855	5825	5816
Jul	5828	5805	5800	5775
Aug	5873	5850	5820	5820

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1170	1186	1182	1162
Mar	1232	1250	1244	1228
May	1266	1283	1277	1265
Jul	1296	1317	1300	1298
Sep	1326	1343	1326	1328
Dec	1363	1380	1370	1370
Mar	1392	1409	1400	1398
May	1415	1434	0	0
Jul	1439	1459	1442	1442
Sep	1459	1477	1466	1458

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	61.70	81.00	81.80	81.10
Mar	85.78	85.40	85.90	85.20
May	88.20	88 10	88.50	88.10
Jul	61.25	96.85	91.00	91.00
Sep	93.50	93.25	93.50	93.50
Dec	96.55	96.40	0	0
Mar	102.50	102.35	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	62.15	65.50	62.60	62.10
Mar	63.88	66.38	64.62	63.86
May	64.81	65.80	65.55	64.81
Jul	65.64	65.60	66.38	65.62
Oct	65.60	65.66	65.80	64.90
Dec	66.00	0	65.65	64.86

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	162.50	165.50	164.50	162.50
Jan	165.75	167.30	168.15	165.60
Mar	165.70	166.50	167.00	165.25
May	165.30	165.90	166.00	164.50
Jul	163.80	163.90	0	0
Sep	162.75	162.90	163.00	162.75
Nov	153.00	154.60	0	0
Jan	151.50	153.10	0	0
Mar	151.50	153.10	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 28	Oct 25	mnth ago	yr ago
1683.4	1689.7	1631.0	1714.9

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 25	Oct 24	mnth ago	yr ago
Spot	115.37	114.49	117.82	125.92
Futures	123.69	124.23	124.41	127.70

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	549/0	541/2	551/4	539/0
Jan	560/2	553/2	563/2	561/0
Mar	569/6	563/2	573/4	561/4
May	579/6	572/4	582/4	570/4
Jul	587/4	580/6	591/0	578/6
Aug	589/0	584/4	591/0	584/0
Sep	584/4	578/2	587/0	578/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.42	19.22	19.44	19.15
Jan	19.59	19.42	19.60	19.32
Mar	19.90	16.74	19.91	19.66
May	20.16	20.02	20.16	19.89
Jul	20.45	20.30	20.47	20.29
Aug	20.59	20.45	20.60	20.45
Sep	20.72	20.55	20.75	20.55
Oct	20.70	20.60	20.75	20.60

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	181.0	178.8	181.5	178.0
Jan	170.1	177.1	180.0	176.6
Mar	177.9	175.2	178.6	175.0
May	176.5	174.0	177.0	174.0
Jul	176.5	174.0	177.5	174.5
Aug	170.5	174.5	177.0	174.5
Sep	177.0	174.5	177.0	174.5
Oct	186.7	185.0	187.0	184.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	250/4	250/4	251/6	248/4
Mar	260/2	260/4	261/2	258/4
May	266/4	266/6	267/4	265/0
Jul	271/0	272/2	272/0	269/6
Sep	261/0	262/2	262/2	261/2
Dec	257/6	256/2	258/4	257/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	357/4	364/6	363/0	357/0
Mar	355/2	362/2	361/0	354/0
May	336/4	343/0	340/4	335/0
Jul	319/2	324/4	323/0	318/0
Sep	324/0	329/6	327/0	323/2
Dec	335/4	341/4	338/0	334/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	74.57	74.57	74.72	74.20
Feb	74.55	74.47	74.67	74.16
Apr	75.00	74.65	75.02	74.55
Jun	72.00	71.95	72.06	71.75
Aug	70.50	70.37	70.86	70.20
Oct	71.00	70.97	71.00	71.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	42.42	42.72	42.77	42.27
Feb	42.60	42.27	42.80	42.60
Apr	40.90	40.90	41.25	40.70
Jun	45.67	45.85	46.10	45.86
Jul	46.00	45.90	46.25	46.00
Aug	44.70	44.60	44.70	44.40
Oct	41.20	41.20	0	41.12

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	43.92	43.17	44.20	42.70
Mar	43.82	42.97	43.85	42.55
May	45.12	44.25	45.15	43.70
Jul	45.47	44.60	45.47	44.10
Aug	42.92	42.00	43.00	42.00

LONDON STOCK EXCHANGE

Strong recovery as confidence rallies

By Terry Byland, UK Stock Market Editor

INVESTOR confidence revived strongly in the London stock market yesterday, and although trading volume remained unexceptional the FT-SE index rebounded 43.8, recovering about half of last week's loss in its best day's performance for two months.

The stage was set by a well-leaked survey of business opinion due today from the Confederation of British Industry, which is believed to disclose significant improvement in confidence; a similar tone was sounded in a report yesterday from the Institute of Directors.

The two surveys helped to rally confidence in the stock market ahead of this week's review of the economy by Mr Norman Lamont, the UK chancellor of the exchequer, in his annual traditional speech at the Mansion House in the City of London.

Account Dealing Dates

First Dealings:	Oct 14	Oct 28	Nov 11
Option Declarations:	Oct 24	Nov 7	Nov 21
Last Dealings:	Oct 25	Nov 8	Nov 22
Account Day:	Nov 4	Nov 18	Dec 2

*New-time dealings may take place from 8.30 am two business days earlier.

Equities opened firmly as investors responded to the view of many strategists that last week's fall of more than 3 per cent in shares had opened the way for bargain hunters.

Reports that one leading brokerage house had raised its 1991 year-end forecast to FT-SE 2,750 also lifted share prices.

However, the more convincing boost to equities came, as so often, when the stock index futures market opened, and the Footsie December future came in with a substantial premium against the cash market.

The underlying Footsie stocks moved up strongly in pursuit of the futures contract, which in turn extended its premium. The onward pace of the stock market quickly accelerated and was given further encouragement in late dealings by a rise of 19 Dow points in early trading in New York.

By the close, the FT-SE Index was 43.8 points ahead at 2,558.5, the day's high, having impressed the chart strategists by recapturing the Footsie 2,550 area in its best daily advance since August 21. Market turnover was less impressive, with the day's Seaq total of 412.5m shares below Friday's 498.2m and no more than average by historic standards.

The daily Seaq total incorporates both customer and intra market business. Barclays de Zoete Wedd pointed out that customer business has been relatively restrained recently, with 45 per cent of last Thursday's Seaq total of 595.5m shares representing market maker business – "the highest percentage this year".

While yesterday's gain reflected widespread rises in share prices across the range of the stock market, the Footsie Index benefited from substantial gains in several heavyweight stocks – notably in ICI, which reports trading figures this week, and in Glaxo, where a stock split took effect yesterday. A firm dollar boosted the overseas earning stocks, while BP and Shell, also important components of leading market indices, were also very firm.

However, prospects for the outcome of British Aerospace's £432m rights issue, still not reported in market hours yesterday, hung over the market. Market analysts remained relatively cautious on the general outlook for share prices. "UK economic recovery; nothing doing," Robert Fleming Securities warned. Goldman Sachs commented that the extent of a UK economic recovery is the "subject of intense debate", although the strategy team at the US investment bank added that it seems likely that such a recovery is now under way. Growth in gross domestic product next year could be close to its 2.5 per cent trend rate, added Goldman.

FINANCIAL TIMES STOCK INDICES

	Oct 28	Oct 25	Oct 24	Oct 23	Oct 22	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.50	86.40	86.38	86.36	86.22	79.91	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.40	96.33	96.21	96.30	96.27	88.73	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1961.3	1929.3	1936.6	1966.1	1963.4	1600.0	2108.3 (2/9)	1608.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	169.6	172.5	173.4	176.0	174.8	168.1	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2558.5	2514.7	2528.3	2561.1	2559.5	2062.1	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1153.60	1143.21	1146.36	1157.63	1155.86	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.91	4.78	4.76	4.71	4.72	5.98				
●Earning Yld % (full)	7.59	7.57	7.57	7.46	7.48	12.46				
●P/E Ratio(Net)(☆)	16.53	16.50	16.50	16.75	10.70	8.73				
SEAQ Bargns 4.45pm	24,863	26,962	25,909	22,385	22,673	17,746				
Equity Turnover(£m)†	-	1011.23	1086.89	744.07	784.05	422.52				
Equity Bargains†	-	34,559	25,880	19,824	22,121	16,157				
Shares Traded (ml)†	-	434.3	484.7	327.0	399.9	229.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 § FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.63

Ordinary Share Index, Hourly changes — Day's High 1961.4 — Day's Low 1932.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1932.3	1942.0	1948.9	1954.1	1953.3	1956.0	1956.6	1957.2	1960.9

FT-SE 100, Hourly changes — Day's High 2558.5 — Day's Low 2520.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2520.4	2532.3	2539.1	2548.1	2547.0	2551.2	2551.9	2551.2	2556.8

FT-SE Eurotrack 200, Hourly changes — Day's High 1154.74 — Day's Low 1147.60

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1147.60	1149.77	1152.32	1151.58	1153.15	1153.28	1153.62

GILT EDGED ACTIVITY

Indices*	Oct 25	Oct 24
Gilt Edged Bargains	115.7	80.3
5 – Day average	85.4	76.0

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Demand for split shares

GLAXO surged yet further into previously uncharted territory as the company's second one-for-one share split in two years increased liquidity in the stock and gave a further twist to the upward spiral in the share price.

Analysts on both sides of the Atlantic reiterated their buy recommendations in the wake of Friday's go-ahead from the US Food and Drug Administration for Glaxo's migraine drug Imigran. US researchers yesterday spoke of sales of Imigran reaching $1bn a year by 1996. Sentiment had also been boosted by the upbeat statement from the company's chairman at the annual meeting on Friday.

Glaxo climbed 30½ to set another high of 760p, equivalent to a rise of 61 before yesterday's split. Turnover was a hefty 5.8m shares. "American buyers are maniacs," exclaimed one London trader last night.

Guinness also benefited from a share split yesterday, climbing 8½ to 526p, equivalent to a gain of 17 at last week's prices. Turnover was a solid 2.8m shares.

Barclays restrained

Profit forecast cuts by a number of analysts overshadowed Barclays Bank, which underperformed the Footsie with a rise on the day of only 3 to 415p. Smith New Court has reduced its estimate for this year by £135m to £700m and that for 1992 by £300m to £1bn.

However, Smith's banking expert Mr Michael Lever cautioned that uncertainties over debt provisions hung over any estimates and clouded the significance of pre-tax profits. "The banks are improving their position but in headline figure terms that is being affected by bad debts," he said.

Gas flickers

Competition worries caused British Gas to slip 3 in early trading before rallying with the help of the market's strength to end only a penny off on the day at 259p, with 2.9m shares traded.

Concern was prompted by an announcement yesterday that the regional electricity company Eastern Electricity (up 6 at 241p) is to set up a joint venture with UtiliCorp UK, part of UtiliCorp United, to sell gas to industry. Mr Simon Williams of Kleinwort Benson said: "Such a joint venture is a very small project but it is a sign of things to come." The new venture will use existing British Gas pipelines to deliver gas to customers.

Kleinwort published a note on October 24 advising investors to sell British Gas on strength down to 250p and this was also said to have contributed to affect the stock. The merchant bank has been bearish since the Office of Fair Trading issued a statement just over a fortnight ago which called for greater competition in the gas industry. The statement sparked fears that British Gas could be referred to the Monopolies and Mergers Commission.

Composite insurers saw some reassessment yesterday. The impact on companies involved in mortgage indemnity, particularly the big players Royal Insurance and Sun Alliance, prompted sharp falls last week.

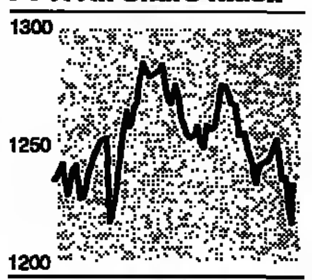
Royal only recovered 3 to 300p but Sun Alliance was one of the best performers in the sector with a rally of 10 to 326p as the strength of its balance sheet was reconsidered. Commercial Union, which agency broker James Capel continues to see as one of the most attractive stocks in the sector, picked up 8 to 364p.

BTR outperformed the rising market as traders increasingly believed the company would succeed in its efforts to take over Hawker Siddeley. They said the price BTR had bid was sensible, from the company's point of view, and the timing good. BTR climbed 14 to 394p.

SmithKline Beecham was pushed by Smith New Court at the broker's morning meeting. Mr Paul Woodhouse of Smith thinks the share price has fallen too far in recent weeks and the company's research and development pipeline is "underestimated". The shares recovered 18 to 744p. SmithKline releases third-quarter figures today.

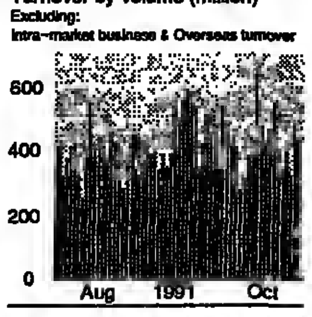
Buying ahead of third-quarter results from ICI on Thursday helped the shares advance 27 to 1268p. Thursday is interim day for Reed International and the shares firmed 8 to 473p. BT rose 8 to 384p ahead of interims on Friday.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



The impact of worries over a possible general election victory by the opposition Labour party appeared to fade from the water stocks as investors looked towards imminent interim results.

Thames, which on Thursday will be the first to report, rose 5 to 362p as investors bought for the dividend. Northwest Water eased 2 to 354p, a fall of 6 from the day's high, as institutional buyers faded away.

Severn Trent regained 5 to 324p. Mr Peter Hyde of Kleinwort Benson said the shares were oversold following the sharp rally prompted by Severn's sale of its stake in Caird.

Shanks & McEwan was held back after one securities house crossed 2m shares on behalf of institutions at around 199p. The stock eased a penny to 201p on turnover of 4.3m.

The effect of Attwoods' deeply discounted rights issue was mitigated slightly as the shares improved 6 to 114p.

Oil shares were surprisingly buoyant considering that the price of North Sea Brent crude oil for December delivery tumbled 50 cents a barrel to $21.56 yesterday. Observers said there was modest buying and Shell rose 5 to 516p and BP 6 to 337p.

In general, attention was focused on Ultramar, which is expected to publish its defence document next Monday to the bid by Lasmo. Ultramar firmed 3 to 336p and Lasmo gained 5 to 323p.

A recovery of 6 to 369p for British Aerospace did nothing to disguise the view that the company's £432m rights issue, the outcome of which will be announced today, will be a disaster. Although BAe stock met support in the market yesterday, the talk was that only between 10 and 20 per cent of the new shares would be taken up, with many dealers leaning towards the lower figure.

Traders fear that a large rump will now overhang the shares, weakening the share price further. One analyst said: "This rights issue will be remembered as one of the big market disasters of 1991." Turnover reached 2.4m.

Lucas Industries closed 2 off at 137p xd. The market, however, appreciated the company's announcement of a £1.7bn 20-year deal for the supply of engine equipment to Allison, the gas turbine division of General Motors, of the US.

Bid target Hawker Siddeley gained 4 to 721p on turnover of 1.9m. BZW, acting for predator BTR, was reported to have gone shopping for stock around the 715p level, but with no sellers around at that price the investment bank was forced to offer 719p a share.

Dowty Group gained 5 to 173p on talk that Smiths Industries, down 5 at 260p xd, may launch a bid for the company. The shares had been higher but retreated as analysts discounted the talk.

An optimistic profits forecast from Yorkshire Television helped the shares recover well from recent weakness. Yorkshire said that profits for the year just ended would be at least £13m, with earnings per share of 13.5p. In addition the company said that the dividend for the year would be held. The shares climbed 12 to 166p.

TVS, which has lost its television franchise, continued to slip. The stock lost 1⅝ to 9¼p as press comment suggested the company might head over to its successor before its licence expires.

Further consideration of Friday's property deal between British Land, Rosehaugh and Greycoat left shares in all three rising faster than the rest of the market. British Land, which bought a large stake in properties owned by the other two, appreciated 8 to 294p. Greycoat moved up 10 to 135p and Rosehaugh touched 23p before settling at 21p, a gain of 1½p.

Good sentiment from the deal, seen as a vote of confidence from British Land, spilled over into other property issues. Brixton Estates put on 5 to 189p, Hammerson forged ahead 16½ to 583p xd. Land Securities improved 11 to 505p and MEPC went 14 better to 467p.

Barisford International added 3½ at 26p after Hoare Govett said its recent fall had been overdone. With net asset value close to 50p, Hoare said the shares should be nearer to 30p.

United Biscuits eased a penny to 386p after Charterhouse Tilney made a "precautionary downgrade" in its current year forecast to £208m from £212m. Low trading volumes and signs of disappointing pre-Christmas orders caused Tilney to reduce itsestimate. Associated British Foods advanced 15 to 465p as buyers were attracted after the recent bout of weakness.

MARKET REPORTERS:
Daniel Green, Peter John, Joel Kibazo, Jim McCallum.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 27.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (44).
BRITISH FUNDS (1) Tr. 9pc 1991, AMERICANS (2) Hasbro, PHH, BANKS (2) Schroders, Do. NV, BREWERS (3) Guinness, Do. 8.5pc Cv., Matthew Clark, BUILDINGS (1) Gleeson (M.J.), CHEMICALS (1) Yule Catto, STORES (4) Fine Art Devs., GUS, Hartstone, Next, ELECTRICALS (2) Druck, Life Sciences, ENGINEERING (2) Carclo, Jackson & Firth, FOODS (1) J.J., INDUSTRIALS (12) Allied Colloids, BSS, Bespak, Betterware Consumer Prods, Boxmore, Caplin, Glaxo, ML Labs, Rexs, Sidlaw, Stag Furniture, Vinyest, INSURANCE (1) Berry Birch & Noble, NEWSPAPERS (1) News Int., PAPERS (2) Abbott Mead Vickers, St Ives, TRANSPORT (1) Interlink Express, TRUSTS (8) Baillie Gifford Japan, Contra-Cyclical Zero Prf, Graham Rintoul, Murray Split Cap. Zero Prf, River Plate Zero Prf, Scottish Value, TR Technology Zero Prf, OILS (1) Total B.
NEW LOWS (26).
CANADIANS (1) Gulf Canada, BUILDINGS (5) Conrad Ritblat, Graham, McLaughlin & Harvey, Sindall (Wm), Westminster Scaffolding, STORES (2) Oliver, Do. Rtd., ENGINEERING (2) ASW, Danielson, INDUSTRIALS (7) Barrie, Clayhithe 8.5pc Cv., Davies (DY), Hadleigh, Hanson Wrrnts., ISA Intl., Sheldon Jones, INSURANCE (1) QBE, LEISURE (3) Millwall, TVS Entertainment, Do. 7.4pc Prf., MOTORS (1) Jacks (Wm), PROPERTY (2) Dencora, Five Oaks, London Securities 6.25p (Net) Prf., SHOES (1) Stylo, TRUSTS (2) Abtrust New Thai, French Property Wrrnts., OILS (1) Aminex.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	2	473	+10	Cookson	205	125	+1	Lucas	1,600	137	+3	Severn Trent Water	441	324	+5
ASDA Group	22,000	49	+1	Courtaulds	260	467	+4	MB Caradon	460	239	+9	Shell Transport	3,100	516	+5
Abbey National	2,400	253	+3	Dalgety	735	381	+5	MEPC	315	467	+14	Siebe	86	529	+4
Albert Fisher	376	92		De La Rue	219	460	+½	Manweb	75	288	+2	Slough Ests	160	262	+1
Allied-Lyons	1,000	614	+5	Dixons	1,700	242	+1	Marks & Spencer	3,700	283	+2	Smith (W.H.) A	403	457	+2
Amstrad	692	35½	+½	ECC Group	362	470	+11	Maxwell Comms.	595	147		Smith & Nephew	3,500	133¼	+3½
Anglian Water	535	358	+1	Eastern Elect.	739	241	+6	Midland Bank	659	344	+4	SmKl Beecham	1,000	744	+18
Argos	278	327	+1	East Midland Elect.	366	260	+4	Midlands Elect.	439	258	+4	SmKl Beecham Uts.	108	3340	+92
Argyll Group	983	276	+3	Enterprise Oil	90	536	-1	NFC	100	219	+1	Smiths Inds.	329	260	+2
Arjo Wiggins	1,300	261	+3	Eurotunnel Units	845	431	+14	NatWest Bank	2,400	329	+9	Southern Elect.	792	253	+2
Ass. Brit. Foods	527	465	+15	FKI	2,200	66½	+1½	National Power	3,300	154½	+3	South Wales Elect.	24	310	+5
BAA	651	444	+4	Ferranti	6,600	6½	+1½	Next	1,800	53½	+3½	South West Water	124	330	-1
BAT Inds.	797	630	+2	Fisons	1,400	444	+5	North West Water	1,300	354	-2	South West. Elect.	25	258	+7
BET	1,600	223	+8	Forte	649	270	+3	Northern Elect.	247	259	+3	Southern Water	130	311	
BICC	598	356	+7	Gen. Accident	860	466		Northern Foods	303	547	-1	Standard Chartd.	615	388	+7
BOC	1,000	582	+11	General Elect.	2,500	187	+4	Norweb	158	268	+5	Storehouse	475	108	+3
BPB Inds.	691	164	+3	Glaxo	5,800	760	+30½	Pearson	155	760	+10	Sun Alliance	1,600	326	+10
BTR	2,800	394	+14	Glynwed Int.	218	276	+8	P & O	1,000	511	+13	T&N	973	153½	+1½
Bank of Scotland	678	116	+1	Granada	601	186	+3	Pilkington	1,200	157	+3	TI Group	167	519	+7
Barclays	2,500	415	+3	Grand Met.	999	851	+5	PowerGen	1,300	164½	+5	TSB	4,600	136	+6
Bass	535	974	+16	GUS A	94	1363	+27	Prudential	1,400	232	+7	Tarmac	4,192	154	+4
Beazer	1,000	115		GRE	1,800	155	+5½	RHM	1,400	249	+3	Tate & Lyle	472	389	+6
Berisford Int.	1,400	26	+3½	GKN	82	345	+6	RMC	265	588	+5	Taylor Woodrow	45	107	+2
Blue Circle	280	241	+5	Guinness	2,800	526	+8½	RTZ	520	557	+9	Tesco	4,500	236	+4
Booker	476	443		Hammerson 'A'	92	563	+16½	Racal	2,500	65	+½	Thames Water	1,300	362	+5
Boots	914	428	+8	Hanson	8,500	221¼	+4	Rank Org.	505	687	+9	Thorn EMI	344	802	+14
Bowater	87	687	+2	Hanson Warrants	1,300	24¼		Reckitt & Colman	183	682	+10	Tomkins	624	402	+1
Brit. Aerospace	2,400	369	+6	Harrisons Crosfield	809	151	+2	Redland	158	505	+9	Trafalgar House	932	233	+6
British Airways	817	194	+3	Hawker Sidd.	1,900	721	+4	Reed Int.	273	475	+8	Ultramar	1,600	336	+3
British Gas	2,900	259	-1	Hillsdown	969	200		Rentokil	119	359	+7	Unigate	518	321	+1
British Land	958	294	+5	IMI	345	234	+5	Reuters	673	946	+17	Unilever	1,500	811	+17
BP	3,000	337	+6	ICI	1,400	1268	+27	Rolls Royce	3,500	137½	+2	United Biscuits	1,200	386	-1
British Steel	1,700	120¼	+1	Inchcape	402	386	+5	Rothmans	32	1130	+3	Utd. Newspapers	836	368	+4
British Telecom	3,700	384	+7	Kingfisher	1,200	549	+6	Ryl Bk Scotland	1,400	186	+3	Vodafone	2,100	384	+9
Bunzl	2,500	94	+1½	Ladbroke	973	258	+4	Royal Insurance	2,900	300	+3	Wellcome	170	747	+10
Burmah Castrol	378	563	+3	Land Securities	278	505	+11	Saatchi	416	13		Welsh Water	186	359	+2
Burton	178	46½	+1	Laporte	36	577	+6	Sainsbury	1,500	344	+2	Wessex Water	204	384	
Cable & Wire.	1,400	561	+13	Legal & General	1,500	369	+8	Scottish & New.	961	395	+6	Whitbread 'A'	501	464	+5
Cadburys	1,192	410	+6	Lloyds Abbey	302	356	+4	Scot. Hydro-Elect.	722	111		Williams Hldgs.	2,000	330	+2
Calor Group	178	239	+1	Lloyds Bank	1,300	389	+7	Scottish Power	739	108		Wills Corroon	567	292	+3
Carlton Comms	221	505	+8	LASMO	747	323	+5	Sears	2,000	100	+1½	Wimpey	287	158	+4
Coats Viyella	2,500	209	+4	London Elect.	518	289	+5	Sedgwick	497	239	-3	Yorkshire Elect.	84	287	+3
Comm. Union	1,300	464	+8	Lonrho	191	247	+2	Seeboard	301	261		Yorkshire Water	447	365	

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

EQUITY futures bounced back from last week's lows, pulling the underlying Footsie stocks upwards, writes Joel Kibazo.

The FT-SE December futures contract was strong from the start. At the day's best it traded at a premium of 35 to the Footsie. Trading was thin for most of the day, however, and dealers said the rise was mostly no more than a simple mark-up in prices for the contract. There was sporadic buying throughout the session, especially at the 2566 level.

The premium was maintained despite a large selling order from James Capel in the dying moments of trading.

December ended at 2588, some 4 points above the estimated fair value premium of about 26. Turnover was a reasonable 6,258. After hours trading was reported to have been brisk.

Traded options dealing was marked by a lack of institutional activity after recent price declines.

Turnover was light with only 20,267 contracts dealt. The busiest option was TSB, which traded 1,892 lots, of which 891 were calls and 1,001 puts.

This was followed by Asda (1,285 lots) and British Aerospace, whose rights issue officially closed yesterday. It traded 1,275 contracts.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	99⅞	+1/16	8.03	10.33
[illegible]	[illegible]	[illegible]	100½	[illegible]	12.69	10.12
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
114	108	Treas 13¼pc 1997	112		11.73	9.96
103	97	Exch 10½pc 1997	102		10.23	9.80
96	89	Treas 8¾pc 1997	95		9.16	9.74
123	117	Exch 15pc 1997	121		12.34	10.11
100	93	Exch. 9¾pc 1998	99		9.80	9.83
88	80	Treas 6¾pc 1995-98	87		7.69	9.27
128	121	Treas. 15½pc '98	127		12.20	9.99
111	104	Exch. 12pc 1998	110¼xd		10.88	9.94
100	92	Treas 9½pc 1999	99		9.60	9.68
113	105	Exch. 12¼pc 1999	111		10.98	9.94
104	97	Treas. 10½pc 1999	103		10.15	9.84
103	95	Conversion 10¼pc 1999	102xd		10.04	9.86
97	89	Conversion 9pc 2000	96		9.36	9.67
118	110	Treas. 13pc 2000	116		11.12	10.02
103	94	Treas 10pc 2001	101		9.88	9.77
119	113	Treas. 14pc '98-01	118xd		11.83	10.10
101	92	Treas 9¾pc 2002	99		9.77	9.76
104	94	Treas 10pc 2003	101		9.83	9.75

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
111	102	Treas. 11½pc 2001-04	109¼xd	+¼	10.54	9.98
62¾	53	Funding 3½pc '99-04	60		5.77	8.69
100	90	Conversion 9½pc 2004	98¼		9.67	9.73
25	22	Conversion 9½pc 2004 A	22	.....	9.71	9.72
100	90	Conversion 9½pc 2005	98		9.66	9.71
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Index-Linked

1991 High	1991 Low	Stock	(b)	Price £	+ or -	(1)	(2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
122	115	Treas. 2pc '94	(102.9)	122xd		2.50	3.54
176	168	Do. 2pc '96	(67.9)	176		3.34	3.91
144	137	Do 2½pc '01	(78.3)	144		3.85	4.16
140	133	Do. 2½pc '03	(78.8)	140		3.93	4.19
143	135	Do. 2pc '06	(69.5)	142		4.01	4.23
130	124	Do. 2½pc '09	(78.8)	130xd		4.05	4.25
135	128	Do. 2½pc '11	(74.6)	134		4.07	4.25
111	105	Do. 2½pc '13	(89.2)	110		4.08	4.24
118	113	Do. 2½pc '16	(81.6)	117		4.08	4.24
113	109	Do. 2½pc '20	(83.0)	112xd		4.09	4.23
95	91	Do. 2½pc '24	(97.7)	93		4.07	4.20

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1991: 130.9 and for September 1991: 134.6.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
107	95	African Dv Bk 11¼Ln 2010	105		10.56	10.45
102	91	Asian Dev Bk 10¼pcLn2009	100¼		10.22	10.21
116	105	Int-Am Dev Bk 12½pc 2003	113		10.98	10.36
97	86	Do. 9¼pcLn 2015	95		10.23	10.28
125	101	Utd. Mexican States 16½pc 2008	123	.....	13.36	12.96

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
53	52	Met. Wtr. 3pc 'B'	53	.....	5.66	9.90

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
50	50	Greek 7pc Ass.	50	.....	3.50	f7.00
50	50	Do. 6pc 28 Stb. Ass.	50	.....	3	f6.00
50	50	Do 4pc Mixed Ass.	50	.....	2	f4.00
55	55	Hung. '24 Ass.	55	.....	2.75	f3.57
133	120	Hydro Quebec 15pc 2011	131		15.0	11.07

Continued on next page

APPOINTMENTS

Rolls-Royce finance director

ROLLS-ROYCE, the UK aero-engine and power systems group, yesterday appointed Michael Townsend as its new finance director.

Townsend takes over from Peter Macfarlane, who left Rolls-Royce at the end of last month to become the new finance director of Allied-Lyons, the UK drinks group.

Townsend joined the engineering company as group financial controller at the beginning of last year and was later appointed director of finance of the Rolls-Royce Aerospace Group.

He takes over at a particularly difficult time for Rolls-Royce which has been hit by the slump in the commercial aviation business and the post cold war decline in defence orders. The company is also in the middle of a fierce competition for new aero-engine orders to power the new generation of wide-body airliners and has so far lost out to General Electric and Pratt & Whitney of the US in the initial round of airline orders to power the new Boeing 777 wide-body airliners.

Before joining Rolls-Royce, Townsend, 50, worked for Smiths Industries, Plessey Radar and Sperry-Rand.

New R&D chief at SmithKline

SMITHKLINE BEECHAM, the Anglo-American drug giant, has chosen an appropriately mid-Atlantic scientist to head its research and development.

George Poste (above), an expert on delivering drugs to the right part of the body, was born and educated in the UK. He has worked in the US since 1972, first in academic research and then with Smith Kline & French. In the merger that created SmithKline Beecham in 1989, he took charge of the group's US laboratories – reporting to Keith Mansford, the overall R&D supremo who is based – like the company itself – in the UK.

In January Poste will succeed the very British Mansford, who is retiring after 33 years working in research for Beecham and then SB. Poste is likely to lead a mid-Atlantic existence, dividing his time between the US and UK laboratories.

Peter Turnbull, managing director and chief operating officer of LEX SERVICE, one of the leading UK retail motor groups, is to leave the company as a result of a streamlining of the group's top management.

The position of managing director will not be filled, and the operational management board will be headed by Sir Trevor Chinn, Lex Service chairman and chief executive.

Lex Service, which includes Volvo Concessionaires, the UK importer and distributor of Volvo cars and parts, has been hit hard by the recession in the UK new car market. Pre-tax profits fell from £55.8m in 1989 to only £9.1m last year including a £20.1m exceptional item for one-off restructuring costs. Pre-tax profits in the first half of 1991 fell further to only £4.2m from £23.2m.

Turnbull is to leave Lex Service following the disposal of the group's electronic components distribution businesses in the US and in Europe to Arrow Electronics of the US. The company said he would "pursue interests" outside Lex Service.

The company says it is planning to concentrate on its automotive activities and the management organisation has been simplified to meet the current need and size of the business.

Peter Beales has hesn appointed director of legal and fiscal affairs of the UNIT TRUST ASSOCIATION. He is currently an assistant secretary at the British Bankers' Association with responsibility for European regulatory affairs, and previously a first secretary at the Foreign Office.

Gavin Grant is to join the UTA as director of public relations. He has previously worked as campaign director for the Liberal Party and the council for the Protection of Rural England.

John Koch has been appointed general manager, Europe of Commonwealth Bank of Australia in London. He succeeds Bill Foxlee who is returning to Australia as general manager corporate.

Pierre Konings is to take over as general manager of the London branch of KREDIETBANK NV from Marc Bernaert, who becomes senior vice president and general manager of the bank's branch in New York.

Anthony Welford, previously deputy general manager of Postipankki UK, has been appointed treasurer of the London branch of Discount and Trust Company of Geneva.

James Palmer has been promoted to the boards of JOHN GOVETT & CO and JOHN GOVETT UNIT MANAGEMENT.

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline, call 0836 43 + four digit code. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Share Code Booklet call 071-925-2128.

AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
33¼	20¾	Abbott Laboratories	33¼	+⅛	$1[illegible]	–	1.8
385p	225p	Allegheny & W 1c	231p	–2	[illegible]	–	7.7
10½	667p	Amdahl 5c	815p	–17	[illegible]	–	0.7
42½	25¾	Amer Cyanamid $5	37¾	+⅛	$1.[illegible]	–	2.4
17¾	9¾	Amer Express 60c	12¾	–¼	$1.[illegible]	–	5.3
24½	15¼	American T & T. $1	22¾	+⅛	$1.[illegible]	–	3.5
38¾	32½	Ameritech $1	36	+¼	$3.[illegible]	–	5.6
26¾	12¾	BankAmerica $1⅞	23½	+⅛	$1.[illegible]	–	3.1
37¾	20¾	Bankers N.Y. $1	37½	+⅛	$1.[illegible]	–	7.7
30½	24¼	Bell Atlantic $1	26¾	+⅛	$2.[illegible]	–	5.7
31¼	25	BellSouth Corp.	27¾	–⅛	$2.76	–	5.9
11¼	6¾	Bethlehem Steel $8	8¾	+⅛	40c	–	2.6
1839p	1046p	Bowater Inc.	1262p	–44	$1.20	–	5.6
54¾	37¾	CPC Intnl. 25c	47½	+⅛	$2.00	–	2.5
933p	420p	California Engy.	870p		–	–	–
50	28¼	Campbell Soup 15c	43¾	–⅛	$1.16	–	1.6
12¼	5¾	Chase Manhattan $12½	11		$1.20	–	6.6
9¾	5¼	Chrysler $6¼	6½	+⅛	60c	–	5.6
10¾	5¾	Citicorp $1	6⅛	+⅛	–	–	–
26¼	21¾	Colgate-Palmolive $1	23¾	–⅜	$1.06	–	2.6
928p	438p	Cont'l Bank Corp $4	595p	–18	60c	–	6.0
21¾	13¾	Dana Corp. $1	16¾	–⅛	$1.60	–	5.8
1262p	203p	Data General	1174p	–88	–	–	–
24½	12¾	Dial Corp $1.5	23¾	–⅛	$1.40	–	3.5
29¾	20¾	Dun & Bradstreet $1	27¾	+⅛	$2.16	–	4.6
40	24¼	Eaton Corpn 50c	37¼	–⅛	$2.20	–	–
8½	5½	EcPlio Inc	7		70c	–	5.9
20¾	19⅛	FPL Group 1c	20	+⅛	$2.40	–	7.1
30¾	17¾	Fluor Corp 62½pc	25½	–¼	32c	–	0.7
23¼	13¼	Ford Motor £1	16¼	+⅛	$1.60	–	3.7
46⅞	28¾	Gen. Elect. 63c	40½	–1	$2.04	–	3.0
45¾	20¾	Gillette $1	23¾	–⅛	62c	–	1.6

[illegible]

CANADIANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]							
1477p	953p	Amer. Barrick Res.	1441p	–10	8c	–	0.3
19¾	13	Bk. Montreal	18¾	+⅛	$2.12	–	5.7
1015p	536p	Bk. Nova Scot.	978p	+7	$1.00	–	5.2
839p	639p	BC Gas $1	823p		60c	–	3.7
24	17¼	BCE	23¾	+⅛	$2.56	–	5.6
10½	647p	Brascan	913p	–7	$1.04	–	5.8
36p	9p	Breakwater Res.	10p		10c	–	–
1725p	1180p	Can Imp Bank	1533p	–9	$1.32	–	4.4
11	855p	Can. Pacific	965p	–7	64c	–	3.4
36	30	Do. 4pc Deb £100	35		Q4%	–	11.4
335p	45½p	Central Cap 'A'	65p	+11	60c	–	–
483p	246p	Derlan Inds	363p		28c	–	3.9
628p	370p	Echo Bay Mines	476p	–10	7.5c	–	0.9
191p	22p	ECO Corp	24p	+5	–	–	–
89p	55p	Granges Explr.	68p	–1	–	–	–
520p	359p	Gulf Canada	359p	–30	40c	–	5.7
14½	10	Hawker Sid Can	12¾	–⅛	$1.08	–	4.3
2013p	876p	Hudson's Bay	1735p	–1	80c	–	2.3
29¾	25¾	Imperial Oil	26⅞	+⅛	$1.80	–	3.5
23½	12½	Inco	19¾	+⅛	$1.00	–	2.7
562p	316p	Intl Corona Corp.	402p		Q20c	–	2.5
4¾p	2p	Muscocho Explo.	3p		–	–	–
484p	350p	Nova Corp of Alberta	381p	–8	24c	–	3.2
1091p	745p	Rio Algom	828p	–8	80c	–	4.9
1450p	1022p	Royal Bk Can.	1383p	+4	$1.76	–	4.3
250p	197p	TVX Gold Inc.	222p	+7	–	–	–
15p	3p	Tara Pure Tech. Corp	4p		–	–	–
1048p	736p	Toronto-Dom. Bk	906p	–1	76c	–	4.3
979p	719p	Trans Can Pipe	867p	+6	72c	–	4.2

BANKS, HP & LEASING

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£12½	£9¾	ABN Amro Fl5	£12		Q58%	♦	7.2	4
189	121	ANZ $A1	101		‡Q38c	1.9	‡	5.5
311	211	Abbey National 10p	283	+3	†9.5	3.2	4.5	9.2
183	126	Allied Irish Ord.	167	+2	†Q43.7%	1.9	5.9	12.2
65	47	Anglo Irish	48		Q18.6%	2.3	8.7	6.3
60	23	Ansbacher (H.) 1p	38		1.5	–	5.3	–
£54⅞	£38⅞	Bancaire Cie Fr100	£50⅞	–1	Q13.6%	–	2.8	–

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

For Tilbury see Tilbury Douglas

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

FINANCE, LAND, ETC—Contd

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES—Contd

Australians

Tins

Miscellaneous

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ⊕ "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ▼ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ∥ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	51.40	51.48	51.99	+0.03	10.6
Catholic Primary	5½	48.13	48.43	51.45	+0.02	9.43
Ethical	5½	49.27	50.31xd	53.52	+0.08	4.73
European Growth	5½	46.90	46.90	50.02	-0.16	3.2
Income	5½	46.74	47.25	50.40	+0.13	7.45
Intl Growth	5½	64.43	64.97	69.30	-0.09	3.33
Managed	5½	58.47	59.17	63.11	+0.08	4.46
UK Growth	5½	51.11	51.75	55.18	+0.26	5.34
Standard Chartered Equitor (1200)F						
69 Old Broad Street, EC2M 1QS 071-280 6521						
Mngd Exempt Acc	3	196.2	198.7	206.9	+1	2.97
Do Income	3	187.3	189.6	197.5	+1	2.97
Standard Life Tst Mngmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	35.62	35.62	37.85	-0.2	2.39
UK Equity Gth Acc	5¼	47.48	48.37	51.40	-0.2	2.04
UK Eq High Inc Inc	5¼	32.37	33.09xd	35.16	-0.2	5.67
UK Eq High Inc Acc	5¼	36.39	37.20	39.53	-0.2	5.67
UK Equity Gen Acc	5¼	45.65	46.41	49.32	-0.2	3.20
UK Equity Gen Inc	5¼	35.72	36.32xd	38.60	-0.1	3.20
UK Larger Cos Acc F	7¼	296.7	300.9	326.5	-1.3	4.49
UK Larger Cos Inc F	7¼	238.9	242.3xd	262.9	-1.1	4.49
Gilt & Fxd Int Inc	5¼	27.24	27.30xd	28.88	+0.1	7.89
O'seas Larg Cos Acc F	7½	216.2	220.3	239.1	-1.4	2.13
Nth American Acc	5¼	34.62	34.83	36.99	+0.2	0.67
Far East Acc	5¼	42.41	43.51	46.23	-0.4	0.26
European Acc	5¼	33.00	34.68	36.85	-0.2	1.77
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte St, Edinburgh 031-226 3271						

	Bid Price	Offer Price	+ or -	Yield Gross
Funds In Court*				
Capital Oct 17	505.48	509.21xd	....	2.77
Gross Oct 17	187.26	188.77	..	10.33
High Yield Oct 17	294.97	297.34	.	7.40
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	52.51	53.63xd	+0.20	3.65
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1211.0	1306.0		–
Mngd Pens (Acc)	70.2	74.8		–
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2600.0		6.90
Inc Gth Pro Acc 16	£1325.0	1460	..	7.20
Lazard Investors Ltd 22				
Exempt Funds				
Small Co's Oct 22	£3971.5	4137.1		3.95
European Oct 24	£540.0	546.7		2.90
American Oct 24	£360.7	364.5		2.23
Japan Oct 17	£530.0	536	..	1.21
Pacific Oct 24	£139.2	142.9		1.94
W Midlands Sep 30	£147.60	164.90	.	2.48
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Sep 30	193.05	196.90	..	7.81
Equity Sep 30	893.70	906.20	..	3.94
* Available only to Local Authorities				

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	107.2	112.9	...	–
Pension Managed Fd.	105.5	111.2	...	–
Life Deposit Fd	110.3	116.1	...	–
Pension Deposit Fd.	116.7	122.9	...	–

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pk, Kitchin, SG5 2DW 0462 422422
Harvester Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	168.5	177.4	...	–
UK Equity	179.1	188.6	...	–
Overseas Equity	134.8	141.9	...	–
Fixed Interest	153.5	161.4	...	–
Property	132.8	139.8	...	–
Index Linked	151.7	159.7	...	–
Deposit	162.9	171.3	...	–
With Profits (d)	133.3	140.3	...	–

National Provident Institution
48 Gracechurch St, London EC3P 3HU 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	355.7	374.3	+1.6	–
UK Equity	447.3	470.9	+3.0	–
Overseas Eq	345.1	365.3	+0.6	–
Americas	292.3	307.7	+1.6	–
Far East	379.5	399.5	-0.3	–
Property	193.4	204.3	+0.3	–
Fixed Int	270.6	284.9	+0.6	–
Indexed Gilt	161.5	170.0		–
Deposit	186.9	196.8	+0.1	–
With Profit	104.2	100.7	-0.1	–
Pension Fund (Accum Units)				
Managed	513.0	540.1	+0.1	–
UK Equity	606.7	638.7	+4.4	–
Overseas Eq	583.3	613.9	-0.1	–
Americas	367.3	386.9	+0.3	–
Far East	623.4	656.8	-0.4	–
Property	246.7	259.7	+0.4	–
Fixed Int	336.4	354.2	+0.5	–
Indexed Gilt	176.2	180.5	+0.7	–
Deposit	264.6	278.6	+0.3	–

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	226.8	239.3	+1.1	–
UK Fixed Int Acc	186.3	195.5	+0.7	–
Intl Equities Acc	175.1	184.8	-0.7	–
KK Managed Acc	175.2	184.8	-0.5	–
Property Acc	226.3	238.0	-0.1	–
Money Acc	133.0	140.3	+0.1	–
Special Market Acc	152.3	160.7	-1.8	–
Japan Equity Acc	106.8	112.7	-0.4	–
North American Acc	103.4	109.7	+0.2	–
Pacific Acc	96.3	100.6	+0.2	–
Technology Acc	123.7	130.5	-0.3	–
Nat Resources Acc	58.0	61.2	...	–
European Acc	100.2	105.8	...	–
Residential Prop Acc	94.5	99.7	-0.1	–
Swiss Equities Acc	33.1	35.0	-0.4	–
Hong Kong Acc	68.1	71.9	+0.3	–
UK High Inc Eq Acc	73.7	77.8	+0.1	–
Int Fixed Interest Acc	61.0	64.4	+1.0	–
Int Managed Acc	56.7	59.8	...	–
HIP Managed Acc	117.7	124.1	+0.3	–
HIP Managed II Acc	108.5	108.9	-0.3	–
HIP Managed III Acc	110.5	116.3	-0.1	–
Total Investment Bond				
UK Equity Initial	153.4		+0.8	–
KK Fixed Int Initial	126.7		+0.7	–
Intl Equities Initial	118.2		...	–
UK Managed Initial	119.1		+0.3	–
Property Initial	134.9		...	–
Money Initial	90.8			–
Special Market Initial	110.1		-0.5	–
Japan Equity Initial	82.7		-0.4	–
North American Initial	88.5		+0.1	–
Pacific Initial	75.8		+0.1	–
Technology Initial	95.8		-0.2	–
Nat Resources Initial	40.0		+0.1	–
European Initial	89.7		...	–
Residential Prop Init	90.1			–
Swiss Equities Initial	31.5		-0.4	–
Hong Kong Initial	64.4		+0.4	–
UK High Inc Eq Init	78.3		-0.1	–
Int Fixed Interest Init	58.9		+0.6	–
Int Managed Init	14.9			–
HIP Managed Init	114.1		+0.2	–
HIP Managed II Initial	101.3		-0.2	–
KIP Managed III Init	109.8		-0.1	–

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Prosperity Life Assurance Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Refuge Assurance

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd—Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd—Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Target Life Assurance Co Ltd—Contd.

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

CMI Insurance Co Ltd

Equitable Life (International)

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Fiaenco International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

PanEuroLife societe anonyme

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plans.) Ltd

Atlas Investment Services Ltd

C F S Financial Mngmt

Capital Trust Financial Management

Chase de Vere PLC

ECU Futures Plc

Edinburgh Money Management Ltd

Fairmount Financial Services Ltd

Gartmore Fund Managers Ltd

Hambro Financial Services Ltd

IPS Capital Management Plc

Independent Financial Group PLC

Johnson Fry Asset Management Plc

Knight Williams & Company Ltd

Macarthey & Parris Invest Mgmt Plc

Northcote Bingo & Partners

PRU Fund Management Ltd

Pendleton May Financial Services Ltd

Rushmount Financial Management Ltd

Sharp (Albert E) & Co.

Slitals Fund Managers Limited

South Yorks Financial Planning

Charles Stanley & Co Ltd

Tattersall Investment Mngt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fd Mangt (Guernsey) Ltd

BBV-Hambro Asset Mngmt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Gartmore Invest Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lime World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Nevile Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Barclays Global Investment Fund Ltd

Credit Suisse Asset Mangt (Guernsey) Ltd

Dunbar Management (Guernsey) Ltd

Fleet-Carroll Fund Mngr (Guernsey) Ltd

John Govett Mngmt International Ltd

Hambros (Guernsey) Ltd

Havelet Throgmorton Mngmt Ltd

Henderson Admin. (Guernsey)

Holborn Fund Managers (Guernsey) Ltd

Kleinwort Benson Intl Fd Mgrs Ltd

Kleinwort Benson Islamic Fd Mngt Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Midas Capital Mngt (Guernsey) Ltd

Sarasin International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Standard Fund Managers Ltd

U.S. Treasury Securities Fund

Rudolf Wolff Capital Management Ltd

Yamaichi Capital Mngmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd (a)

Bemis Prolific International Ltd

MI Global Asset Mngmt Co Ltd

IRELAND (REGULATED)

Bank of Ireland Unit Managers Ltd

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 430000. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

Baring International Fd Mngrs (Ireland) Ltd

	Bid Price	Offer Price	+ or -		Yield Gross
Australia	$17.23	18.10		(z)	1.05
Japan Tech	$63.03	66.21		(z)	-
Japan Fund	$26.45	27.78		(z)	0.17
Japan New Gartn Fd	$20.56	21.59		(z)	-
Malay Sing	$52.50	55.13		(z)	0.31
Nth American	$21.35	22.43		(z)	0.58
Octopus Fund	$21.06	22.12		(z)	0.88
Pacific Fd	$63.73	66.92		(z)	-
International Bond	$17.31	10.10		(z)	6.89
Europa Fund	$13.11	13.77			-
British Screen Fd	£0.93	0.90	.....		-
Tristar Warrant	$10.34	10.86		(z)	-
Hong Kong	$49.55	52.01		(z)	3.09
Mngd Portfolio (Stlg)	£4.19	4.52		(z)	-
Mngd Portfolio (US)	$10.10	10.79		(z)	-
Currency Fd-Sterling		£19.56		(z)	-
Currency Fd-US Dollar		$15.39		(z)	-
Curr Fd-Deutschemark		DM40.64		(z)	-
Curr Fd-Managed $	$44.86	47.10		(z)	-

Federated International Funds Plc

Federated Short-term US Gov't Securities Fund

Institutional Serv Series*		$1.00	(z)	5.35
Investment Series*		$1.00	(z)	5.35

* Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

Lord Street, Douglas, IoM 0624 661551

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
ADI Managed(z)	5	0.5780	0.5763	0.6137	(z)	1.34
ADI Mgd Currency(z)	5	[illegible]	0.3890	0.411	(z)	5.57
ADI W'wide Eqty	5	[illegible]	0.6404	0.682	(z)	1.13
ADI Nth Amer Gth(z)	5	0.7632	0.7632	0.8128	(z)	0.01
ADI Far East (z)	5	[illegible]	1.11	1.182	(z)	1.13
ADI Gilt & Income(z)	5	0.252	0.252	0.2656	(z)	8.58
ADI UK Cap Gth (z)	5	0.2276	0.2276	0.2423	(z)	3.34
ADI Europe Fd (z)	5	[illegible]	1.128	1.197	(z)	1.44

For conversion Prices of Shares Phone: 0624 662860

Asset Global Funds Ltd (1200)

Midland Bank Fund Managers (Jersey) Ltd

PO Box 26, St Helier, Jersey 0534 606000

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Circuit Portfolio	6	[illegible]	1.0094	1.0704	[illegible]	1.64
Gilt	3	18.9305	0.9305	0.9594	[illegible]	10.42

For MIM see INVESCO MIM

Royal Trust Jsy Fd Mngt Ltd (1400)F

PO Box 428, St Helier, Jersey 0534 76077

Govt Secs Fd	4	56.43	56.43	58.77	+0.09	9.53

TSB Trust Funds (CI)

PO Box 538, St Helier, Jersey 0534 73494

TSB Offshore Investment Fund Ltd

Stg Deposit Class	5	102.02	102.02	103.08	+0.00	10.00
Gilt & Fixed Interest	3	104.58	104.58	108.43	+0.32	7.95
Blue Chip G Gilt Equit	5	49.90	49.89	53.14	+0.13	3.76
International Bond	5	108.54	108.54	115.03	+0.33	5.56
UK Equity	5	137.36	137.36	142.37	-0.23	0.93
International Equity	5	118.53	118.53	126.63	+0.35	0.90
Far Eastern	5	94.04	94.04	100.66	-0.21	0.00
European	5	85.27	85.27	90.50	-0.28	0.00
Pan American	5	140.59	140.59	155.94	-0.38	0.00

TSB Gilt Fund Ltd

Quarterly Share	3	96.97	96.97	100.21	+0.46	10.28
Monthly Share	5	96.62	96.62	99.82	+0.45	10.32

JERSEY (REGULATED)(**)

Barclays Intl Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Currency Funds				
Sterling		£21.25	.....	9.6
US Dollar		$31.40	+0.02	4.2
Deutschemark		DM55.12	+0.03	8.0
Yen		Y4,039	+0002	5.4
Managed Multicurrency	£13.35	13.83	.....	-
Managed Multicurrency	$25.20	26.09	.....	-
Bond Funds				
Sterling Bond	£0.403	0.418	+0.001	10.5
US Government Income	$96.79	100.24	+0.21	6.6
Asian Selection Funds				
Hong Kong	$12.556	13.217	+0.068	1.3
Indonesia	$7.008	7.358	-0.088	3.0

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

Top Brand Fund Intl–SICAV (z)

	Bid Price	Offer Price	+ or -	Yield Gross
Top Brand Fd Intl	$14.39	15.11	-0.03	1.32

Inv AA Warburg Asset Mngt London

Transworld Bond Trust

NAV		$11.99	-0.07	-

US Pacific Stock Fund (z)

NAV		$16.03	....	-

Unibank SA, Frontrunner 1 (z)

Equities 92		Ecu75.51	.....	-
Global Bonds		DKr120.14	.....	-
Global Bonds		DM113.99	.....	-
Sterling Fund		£127.85	.....	-
Scandinavian Bond		DM113.79	.....	-
Danish Bonds		DKr116.39		-

GT Management Plc—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
GT Global Tech (Stop)		$-	.....	-
GT Hong Kong Fd (z)		$34.87	-0.05	3.13
GT Hnlm Pfdr (z)		$12.41	-0.16	-
GT Investment Fd(z)		$16.12	-0.05	0.25
GT Jap OTC Stocks		$12.67	.....	-
GT Jap Sm Co(z)		$15.95	-0.02	0.41
GT Korea Fd (z)		$6.18	.....	-
GT Latin America Fd (z)		$13.31	.....	-
GT Newly Ind Co Fd (z)		$27.93	.....	1.85
GT Taiwan Fd (z)		$7.87	.....	-
GT Technology Fd(z)		$44.31	-0.39	-
GT UK Small Cos Fd (z)		$7.20	+0.01	-
GT US Small Cos (z)		$15.95	-0.13	-

Gala Currency Funds

Nomura Warrant Fund 1990 Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
NAV		$1.71	.....	-

North Star Fund Managers (Cayman) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Invest Fund	DKr322.0	323.0	.....	-
Low Risk Fund	DKr253.0	254.0	.....	-
High Perf. Fund	DKr311.0	312.0	.....	-
Bond Fund	DKr175.0	176.0	.....	-
Second Low Risk Fd	DKr192.0	193.0	.....	-
Second High Perform Fd	DKr236.0	237.0	.....	-
Mixed Intl Fd	DM162.0	163.0	.....	-
Invest Fd (Cayman)	DKr146.0	147.0	.....	-
High Perf Fd (Cayman)	DKr165.0	166.0	.....	-
Bond Fd (Cayman)	DKr140.0	141.0	.....	-
Mixed Fd (Cayman)	DM134.0	135.0	.....	-
High Security Fd	DKr170.0	171.0	.....	-

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm before GNP data

THE DOLLAR moved gently higher yesterday after Mr Nicholas Brady, the US Treasury secretary, made an advance forecast that the American economy grew by 2.5 to 3 per cent in the third quarter of this year.

Mr Brady's comments came before the release today of third quarter gross national product figures. Economists predict that GNP rose by 2.6 per cent in the third quarter from the second quarter, which compares with a 0.5 per cent decline in the second quarter from the first quarter.

A strong recovery in GNP is likely to dampen speculation that the Federal Reserve is poised to counter the weakness in the economy with lower interest rates. But much will depend upon how economists interpret the data and whether they believe the recovery has continued into the current quarter.

The October employment figures on Friday will be one of the first indicators of how the fourth quarter began. Non-farm payroll employment is expected to have risen by 25,000, little changed on the previous month's increase.

For much of the session there was little dealing in the currency markets. Foreign exchange managers estimated that turnover was just a third of recent levels.

The dollar maintained its upward bias although there was little incentive for investors to start buying the US currency. Foreign exchange analysts said the dollar remained trapped in a band around DM1.7050 to DM1.7100, and after Mr Brady's hint on the GNP numbers there appeared to be little incentive for a significant move away from those levels.

The dollar closed higher at DM1.7090 from DM1.7015; at SFr1.4985 from SFr1.4875; and at FFr5.8325 from FFr5.8060.

The yen continued to weaken after Japan's governing Liberal Democratic Party elected Mr Kiichi Miyazawa as its leader. Next week he will be installed as prime minister.

Mr Miyazawa has announced support for a reduction in Japanese interest rates and public sector investment to boost the economy. There is a growing belief in the currency markets that under Mr Miyazawa there will be more than just one more cut in interest rates.

In the Japanese money markets, however, there was no sign that the Bank of Japan had begun to ease policy. Overnight money was up 1/16 point at 6⅞ per cent.

The US currency rose to Y132.15 from Y131.40 and the D-Mark was firm at Y77.25.

Within the ERM, currency rates were steady. The peseta continued to appreciate after the recent clear signals from the Bank of Spain that there will be no early reduction in interest rates.

As speculation about an early move to the narrower 2¼ per cent bands by the peseta has receded, investment funds have begun to be attracted into Spain by its high interest rates. The peseta's lead over the weakest ERM currency widened to 5.40 from 5.10 per cent.

£ IN NEW YORK

Oct 28	Close	Previous Close
[illegible]	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct 28	Previous
[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Oct 28	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100).

CURRENCY RATES

Oct 28	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Oct 28	£	$
[illegible]	[illegible]	[illegible]

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS; LIFFE SHORT STERLING OPTIONS

[illegible]						

LONDON (LIFFE)

	Close	High	Low	Prev.
[illegible]				

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Dec	91.48	91.50	91.46	91.50
Mar	91.77	91.79	91.76	91.80
Jun	91.97	92.01	91.97	92.02
Sep	92.11	92.13	92.10	92.16

Estimated volume 1412 (5894)
Previous day's open int. 23136 (22105)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Dec	2588.0	2593.0	2555.0	2549.0
Mar	2621.0	2606.5	2606.5	2582.0
Jun	2652.0			2613.0

Estimated volume 6340 (8019)
Previous day's open int. 36459 (36446)

FT-SE EUROTRACK 100 INDEX
DM50 per full index point

	Close	High	Low	Prev.
Dec	1107.5			1105.0
Mar				

Estimated volume 0 (0)
Previous day's open int. 327 (327)

* Contracts traded on APT after trading hours

CHICAGO

	Close	High	Low	Prev.
[illegible]				

PARIS

[illegible]							

ECU BOND (MATIF)

December	105.64	105.50	-0.32	105.64	105.44	9.09	4,918
March	-	105.52	-0.32	-	-	9.09	270

Estimated volume 2,278 Total Open Interest 5,188

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
106	0.93	-	-	0.24	0.73	-
107	0.37	0.94	-	0.65	1.18	-
108	0.10	0.56	-	1.38	-	-
109	0.03	0.31	-	-	-	-
Open int.	107,119	75,215	2,370	90,528	42,727	9,423

Estimated volume 24,806 Total Open Interest 327,382

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7035	1.6961	1.6822	1.6632	1.6304

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency amounts against Ecu Oct 28	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
[illegible]					

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.06-4.01cpm. 12 Month 7.36-7.26cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 28	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]						

Long term Eurodollars: two years 6¾-6¼ per cent; three years 6¾-6¼ per cent; four years 7¼-7⅛ per cent; five years 7⅜-7¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.28	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.704	2.910	225.0	9.935	2.553	3.280	2175	1.918	59.85	1.422
$	0.587	1	1.708	132.0	5.830	1.498	1.925	1276	1.126	35.12	0.835
DM	0.344	0.586	1	77.32	3.414	0.877	1.127	747.4	0.659	20.57	0.489
YEN	4.444	7.573	12.93	1000.	44.16	11.35	14.58	9667	8.524	266.0	6.320
F Fr.	1.007	1.715	2.929	226.5	10.	2.570	3.301	2189	1.931	60.24	1.431
S Fr.	0.392	0.667	1.140	88.13	3.892	1	1.285	851.9	0.751	23.44	0.557
N Fl.	0.305	0.520	0.887	68.60	3.029	0.778	1	663.1	0.585	18.25	0.434
Lira	0.460	0.783	1.338	103.4	4.568	1.174	1.508	1000.	0.882	27.52	0.654
C$	0.521	0.888	1.517	117.3	5.180	1.331	1.710	1134	1	31.20	0.741
B Fr.	1.671	2.847	4.862	375.9	16.60	4.266	5.480	3634	3.205	100.	2.376
Ecu	0.703	1.198	2.046	158.2	6.987	1.795	2.307	1530	1.349	42.09	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Steady UK rates

THE STERLING wholesale money markets were steady yesterday as dealers continued to believe there will be no change in interest rates this year.

The key three months interbank rate was unchanged at 10¾-½ per cent. Earlier this month three months money was trading at 10¼ per cent on speculation that rates would be cut - perhaps as soon as November.

But sterling's weakness on the foreign exchanges and the recent Bank of England intervention have killed off talk of lower rates. The pound closed slightly firmer at DM2.9110, just above the DM2.90 level which the Bank defended earlier in the month.

Cash market dealers expect a rate cut next year although there is even less certainty about that: six months money was quoted at 10½-⅜ per cent, indicating no change.

The futures market is more optimistic about the prospects for a rate reduction. The March short sterling contract closed steadily at 90.18, implying an interest rate of 9.82 per cent by the end of that month.

Reports that employers are becoming more confident about business prospects has so far failed to dent the market's pessimism about the outlook for interest rates, while an upbeat Mansion House speech this week from Mr Norman Lamont, chancellor of the exchequer, is also unlikely to alter sentiment.

Overnight money market rates were easier for much of the session after the Bank of England forecast a liquidity shortage of just £100m. Dealers had expected a £1bn shortage.

Money market dealers said the money flows in and out of the market had recently become more erratic. Payment on a gilt issue had been forecasted to drain liquidity but this was offset by an unexplained flow of cash out of the Exchequer. Clearing banks also added funds back into the system to offset a routine drain in liquidity before the weekend.

In other world money markets, rates were mixed as turnover fell in featureless trading. German rates continued to ease as liquidity remained in sufficient supply to cope with any drains out of the banking system. Call money fell to 8.95-8.95 per cent from 8.90-9.00 per cent.

In New York the Federal Reserve refrained from open market operations despite recent speculation about an imminent easing.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct 28) 3 months US dollars		6 months US Dollars	
bid 5⅜	offer 5½	bid 5⅜	offer 5½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Treasury Bills and Bonds

4pm					
		One month	5.25	Three year	6.18
		Two month	5.06	Four year	6.33
Prime rate	8	Three month	5.07	Five year	6.89
Broker loan rate	7	Six month	5.21	Seven year	7.32
Fed. funds	5¼	One year	5.27	10-year	7.64
Fed. funds at intervention	-	Two year	5.88	30-year	8.02

Oct.28	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.80-8.90	9.00-9.15	9.05-9.20	9.20-9.35	9.25-9.40	9.25
Paris	8⅞-8⅞	9⅛-9	8⅞-9⅟₁₆	9⅛-9⅛	9⅛-9⅛	9.25
Zurich	7⅞-7⅞	8-8¼	-	9⅛-8⅞	-	-
Amsterdam	9.00-9.13	9.17-9.22	-	9.30-9.35	-	-
Tokyo	6⅞-6⅞	6⅞-6⅞	-	6⅞-6⅞	-	-
Milan	10⅞-10¼	10¾-11	-	11¼-11½	-	-
Brussels	9.18-9.31	9⅛-9⅞	-	9⅛-9⅞	-	-
Dublin	9⅞-10⅟₁₆	10-10⅛	10⅟₁₆-10⅟₁₆	10¼-10¼	10⅟₁₆-10⅟₁₆	-

LONDON MONEY RATES

Oct 28	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10⅝	10⅝	10⅝	10¾	10½	10⅞
Interbank Bid	2	10¼	10½	10½	10⅜	10⅜
Sterling CDs	-	-	10⅝	10⅞	10⅜	10⅜
Local Authority Deps.	10½	10½	10⅝	10½	10⅜	10¼
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10½	10½	-	-	-	-
Company Deposits	-	-	10¾	10⅞	10⅝	10⅞
Finance House Deposits	-	-	10⅞	10⅞	10½	10⅞
Treasury Bills (Buy)	-	-	10¼	10	9⅞	-
Bank Bills (Buy)	-	-	10⅝	10¼	9⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.33	5.45	5.45	5.60
SDR Linked Dep. Offer	-	-	7⅛	7⅛	7⅛	7⅛
SDR Linked Dep. Bid	-	-	6⅞	7	7	7
ECU Linked Dep. Offer	-	-	9¾	9⅞	9⅞	9⅞
ECU Linked Dep. Bid	-	-	9⅝	9⅞	9⅞	9⅞

Treasury Bills (sell); one-month 10¼ per cent; three months 9⅞ per cent; six months 9½ per cent; Bank Bills (sell): one-month 10¼ per cent; three months 10⅛ per cent; Treasury Bills; Average tender rate of discount 9.9839 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1991. Agreed rates for period Oct.26, 1991 to November 25, 1991, Scheme I: 11.70 p.c., Schemes II & III: 11.64 p.c. Reference rate for period August 31, 1991 to September 30, 1991, Scheme IV&V: 10.351 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Gross CAR	Int Cr
[illegible]				

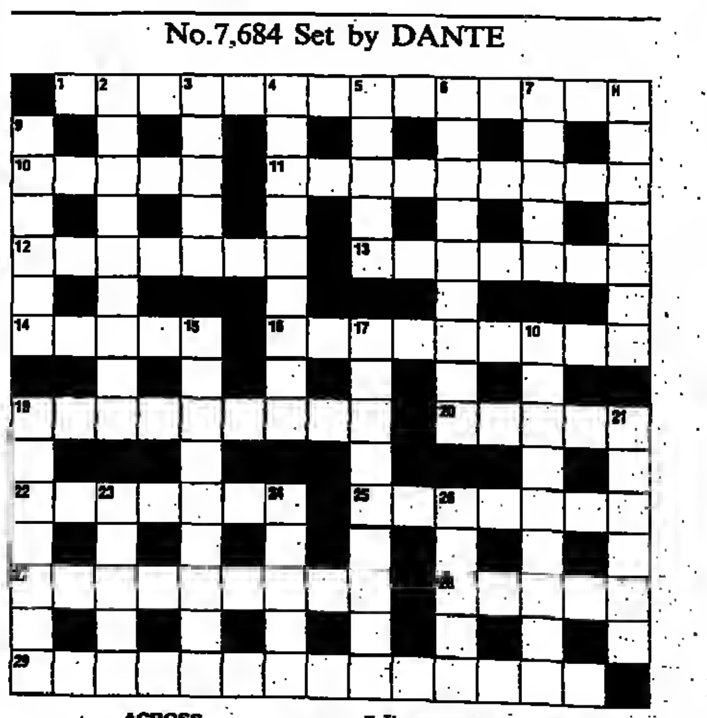
Money Market Bank Accounts

	Gross	Net	Gross CAR	Int Cr
[illegible]				

JOTTER PAD

CROSSWORD

No.7,684 Set by DANTE



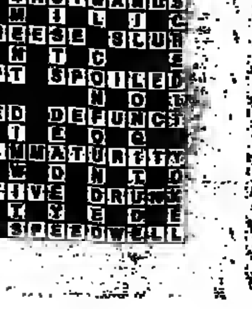
ACROSS

1 Tolkien's tale of a boxing champion? (4,2,3,5)
10 Can't bear inordinate haste (5)
11 Official record holder (9)
12 It cuts timber from the far west (4-3)
13 Topic dependent on another (7)
14 In a way, relatives are hard up (5)
16 More tight manoeuvres in aircraft (5-4)
19 He's expected to take notes (9)
20 Submit a return (5)
22 A high post? (3-4)
24 Basket maker? (3-4)
25 Saucy girl the guard will keep his eye on? (7)
27 It's not true it may describe a novel character (9)
28 Basket maker (5)
29 They may be seen racing o'er spire (7,7)

DOWN

2 Telephoning, hung up (2,3,4)
3 Ill-treats (5)
4 Two elements of risk for the reformed alcoholic? (4-5)
5 Do they give feelings of elation to meteorologists? (5)
6 Disapprove! Blow it! (5)
7 It conveys a sense of courage (5)
8 Bird featured in pull-out (7)
9 Changes of clothing (6)
15 He conducted opera up in Northern Ireland (9)
17 Red shirt for one getting into clothes laid out (9)
18 Performance in the theatre switched to open air (9)
19 Trade movement (7)
21 Gloomy doctor having a bad year (6)
23 Happen to be unoriginal (5)
24 Queue at the end of the pier for the ship (5)
26 Silly creature goes around hungry (5)

Solution to Puzzle No.7,683



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Oct 28	Oct 25	Oct 24	Oct 23	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	3045.62	3004.92	3016.32	3040.92	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	96.97	96.87	96.90	96.91	97.55 (18/10)	91.30 (16/1)	97.55 (18/10/91)	54.99 (1/10/81)
Transport	1266.07	1244.96	1252.62	1278.96	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.45	213.51	212.76	212.82	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

◊Day's High (a) (3034.44) Low (u) (2983.01)

STANDARD AND POOR'S	Oct 28	Oct 25	Oct 24	Oct 23	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	389.52	384.20	385.07	387.94	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	460.61	454.37	455.75	459.21	472.01 (29/8)	364.90 (9/1)	472.81 (29/8/91)	3.62 (21/6/32)
Financial	31.34	30.75	30.92	31.19	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	214.44	211.82	212.32	213.81	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	379.29	376.43	377.73	381.71	382.49 (18/10)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	529.41	525.13	528.75	535.17	540.94 (16/10)	355.75 (14/1)	540.94 (16/10/91)	54.87 (31/10/72)

	Oct 25	Oct 18	Oct 11	year ago (approx.)
Dow Industrial Div. Yield	3.09	3.00	3.10	4.17

	Oct 23	Oct 16	Oct 0	year ago (approx.)
S & P Industrial div. yield	2.73	2.69	2.81	3.42
S & P Indl. P/E ratio	21.17	21.44	20.53	14.86

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Telefonos	3,267,800	42	- 1/8
Compaq Corp	2,701,900	29	- 1 1/4
Chase Manhattan	2,613,600	18 1/8	....
Amer Express	2,508,200	19 1/8	- 1/8
Glaxo	2,493,800	53 1/2	+ 2 1/4
Pepsico	1,996,200	28	+ 1/4
Citicorp	1,980,800	10 3/4	+ 3/8
Philip Morris	1,841,900	69 1/2	- 1/2
Total	1,392,800	20 3/4	- 1/8
Fannie Mae	1,331,300	60 3/4	+ 1

TRADING ACTIVITY

† Volume Millions	Oct 28	Oct 25	Oct 24
New York SE	160.220	167.260	178.990
Amex	12.273	14.484	15.546
NASDAQ	(u)	173.954	199.361
NYSE			
Issues Traded	2,098	2,115	2,098
Rises	999	669	503
Falls	598	909	1,073
Unchanged	501	537	522
New Highs	60	43	63
New Lows	22	25	26

CANADA

TORONTO	Oct 28	Oct 25	Oct 24	Oct 23	1991 HIGH	1991 LOW
Metals & Minerals	2967.09	2965.83	2974.53	3000.16	3299.99 (18/7)	2632.06 (9/1)
Composite	3455.84	3434.17	3446.94	3459.16	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1830.19	1815.84	1822.82	1832.90	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500

TOKYO - Most Active Stocks

Monday, 28 October, 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Honshu Paper	9.0m	941	+43	Bando Chemical	4.5m	767	+49
Navix Line	8.5m	578	+48	Gunze	3.9m	876	+15
Ishihara Sangyo	8.3m	588	+26	Kawasaki Kisen	3.7m	313	+17
Japan Strge Batt	6.4m	1,240	+20	Meiji Milk	2.9m	1,170	+10
Mitsui OSK Ln	4.5m	623	+7	Toyo Tire&Rubb	2.9m	900	-80

4:00 pm prices October 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on next page

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NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
		Xtra Corp								
26⅝	21¾	Yankee Egy	1.60	0.65	12	73	26¾	25½	26¼	+¼
1½	⅞	Zapata			2	619		d	⅝	−⅛
8⅝	3¼	ZenithElec			2	498	6¾	6½	6⅝	+¼
18½	12	Zenith Nat x	1.20	0.06	94	168	16⅛	15¾	16	+⅜
6¾	4½	Zenix Inc x	0.84	9	13	11	6¼	6	6¼	+¼
15⅛	10⅞	Zero Corp x	0.40	0.03	18	62	13	12⅝	12¾	
41¾	26½	Zurn Ind x	0.88	0.02	14	196	25	24⅝	24¾	−½
13½	10¼	Zweig Fund	1.19	0.09		152	12⅝	12½	12½	−¼
10½	8½	Zweig Totl	0.96	0.30		893	10⅜	10¼	10¼	−¼

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices October 28

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G		7	391	11⅝	11⅝	11¾	−⅛
Perini		9	30	10	9½	9⅝	+⅛
Pet HI&P	0.31	13	13	10½	10¼	10½	
Phil LD	0.17	10	407	34¼	23⅝	23⅞	−⅛

NASDAQ NATIONAL MARKET

4:00 pm prices October 28

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		30	1704	27¼	26	28½	+¼
XL Data		06	833	10¾	9¾	9¾	−⅜
Xoma Corp		9	14086	10⅛	17	10	+1½
Yellow Fr x	0.94	16	1254	30¾	30¼	30⅝	+¼
York Rsch		67	1620	0⅞	0	0⅝	−⅛
ZionsUtah	1.44	0	3	40	44½	44½	−¼

FINANCIAL TIMES Tuesday October 29 1991

AMERICA

Dow recovers part of ground lost last week

Wall Street

A FEELING that the stock market might have been oversold during last week's 70-point Dow retreat helped share prices post good gains yesterday, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was 40.70 ahead at 3,045.62. The more broadly based Standard & Poor's 500 was also markedly higher, up 5.32 at 389.52, while the Nasdaq composite of over-the-counter stocks advanced 4.28 to 529.41. New York SE volume came to 160m shares.

The market opened in surprisingly confident mood. Some observers argued that the previous week's declines had been prompted by the realisation that a satisfactory upturn in economic growth and corporate profits was at least another quarter away. But others claimed that the selling was a natural reaction to the big gains of the preceding six days, when the Dow climbed by 100 points. Yesterday's rally seemed to support the latter argument that recent losses represented a pause for consolidation.

Boeing put on $⅝ to $49⅝ after the aerospace group reported net income for the third quarter of $401m, up from the $378m earned at the same stage last year. Although the company warned of continued losses from space and defence business in the final quarter, it expected the two divisions to return to profitability next year. Boeing also announced a $2bn order for commercial aircraft from Japan Airlines.

Elsewhere in the defence and aerospace sector, McDonnell Douglas rose $1⅛ to $34⅝ on reports that it intends to seek enough orders from airlines to begin building a new jumbo jet next year.

Lockheed climbed $⅞ to $45 after revealing plans for a joint effort with Rockwell International to win a US Navy multi-billion dollar jet fighter project. Rockwell stock drew little comfort from the news, easing $1⅛ to $26¼. Lockheed shares were also helped by news that the group has been asked to help Northrop overcome problems with its B-2 bomber.

Compaq fell $1¼ to $29 on 2m shares traded as the market continued to react to last week's ousting of Mr Rod Canion, president, chief executive and one of the founders of the computer group. Mr Canion was dismissed by the board two days after Compaq unveiled the first quarterly loss in its nine-year history.

Kodak slipped $⅝ to $45⅛ in busy trading after reporting that its losses had narrowed to $118m in the third quarter from a $206m shortfall a year ago. The loss was the result of a $435m pre-tax restructuring charge, and Kodak warned that it would need another charge in the fourth quarter.

Comerica forged ahead $5 to $47⅞ after the banking group agreed to merge with Manufacturers National in a $1.08bn stock-swap deal. Manufacturers moved up $3⅛ to $37⅞.

On the over-the-counter market, brokers' recommendations lifted Borland International by $4 to $52, and Repligen by $1⅛ to $19⅝ after Shearson Lehman upgraded the shares.

Canada

A CUT in a Canadian prime rate to a 14-year low and the strong Wall Street rally prompted some bargain hunting on the Toronto market yesterday, although volume was light. The Bank of Montreal cut its prime lending rate to 8.5 per cent, effective today, boosting interest rate-sensitive bank and utility shares.

The composite index improved 21.7 to close at 3,455.8, while rises outpaced declines by 326 to 232 after turnover of 19.8m shares.

Teck held at C$19⅝ in spite of the company reporting third-quarter profits of C$6.1m, well down from the C$22.5m posted a year earlier.

Canfor lost C$34.5m in the third quarter, including after-tax restructuring charges of C$2.7m, compared with a deficit of C$13.7m a year ago, but the stock was steady at C$22⅞.

EUROPE

Daimler rights issue gives Frankfurt early jitters

DAIMLER-BENZ continued to sway trading in Frankfurt, dragging it lower yesterday, although futures-linked buying helped the German bourse to recoup the early losses. Late-closing markets were lifted by a firm opening on Wall Street, *writes Our Markets Staff.*

FRANKFURT fell prey to its all-too-familiar weakness of reacting to old pieces of company news. Yesterday's re-run came in the form of Daimler's proposed rights issue, which was first aired several months ago.

The DAX index fell to the day's low of 1,566.75 on reports that Daimler was considering a DM2bn rights issue in the second half of next year. But the index recovered on a late burst of futures-related buying to close at the day's high of 1,576.81, up 4.48.

By contrast, the FAZ index, calculated at midsession, was 1.12 lower at 647.99. Volume was estimated at near Friday's thin DM3.8bn as institutions remained sidelined.

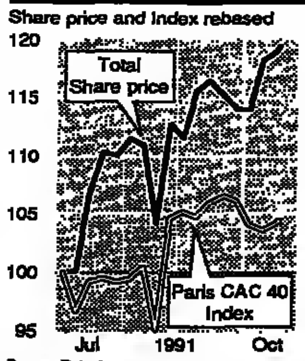
Daimler fell as low as DM668.50 before recovering to close DM2 down at DM674.50. Analysts said that Daimler had signalled its intention to have a rights issue in early summer, partly to restore its equity ratio in the wake of the Cap Gemini Sogeti purchase and partly to finance its capital expenditure programme. Yesterday's talk was disregarded by analysts at UBS Phillips and Drew and County NatWest, who have both changed their recommendation on Daimler from bold to buy in the last week.

Daimler, which held its last cash call in November 1989, is expected to raise DM2bn in a one-for-10 rights issue priced at DM500 a share towards the end of 1992, by which time its shareholders would have received the previous year's dividend to pay for the new shares.

Elsewhere, Allianz rose DM28 to DM2,048 in futures-related buying and RWE fell DM2 to DM381.50, in spite of comments from its chairman that operating profits would rise in the year to June 30, 1992.

PARIS moved gently upwards throughout the day, finishing at its day's high after Wall Street's strong opening. The CAC 40 index gained 17.37 or 0.9 per cent to 1,852.07 in light turnover of about FFr1.5bn, down from FFr2bn.

Demand for oil stocks Total rose to a day's high of FFr987 before closing another FFr10 up at FFr978, in volume of 248,375 shares.



Source: Datastream

Total's ADRs made a successful debut in New York on Friday.

Elf Aquitaine, which had been suffering in recent weeks from a switch by US investors into Total, jumped FFr13.90 or 3.5 per cent to FFr409.90 in volums of 289,500 shares, after rising FFr3.50 on Friday.

Suez, the holding company, aroused some interest late in the day on the news that three of its investment company units had been suspended for news of a restructuring. Suez gained FFr9 to FFr319, while Penhoët was suspended at FFr420, down FFr1, Parthéna Invsstissement at FFr360, off FFr10, and Comiphos at FFr520, up FFr8.

FT-SE Eurotrack 100 - Oct 28							
Hourly changes							
Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1091.93	1093.26	1094.73	1093.97	1095.66	1095.95	1096.88	1097.04
Day's High 1097.39				Day's Low 1091.93			
Oct 25	Oct 24	Oct 23	Oct 22	Oct 21			
1091.25	1093.89	1100.82	1097.32	1097.89			

Base value 1000 (26/10/90)

A news conference has been called for 15.80 GMT today. Suez was rumoured to be considering a merger of the companies, or an exchange of holdings between them.

Eurotunnel, which had been weak recently on its dispute with the consortium building the Channel tunnel, recovered FFr1.40 or 3.8 per cent to FFr43.50, but volume was light at 468,100 shares.

MILAN fell further on fears that the settlement of the October account would be delayed by financial problems at some brokers. The Comit index dropped 2.92 to 518.27 in turnover estimated to be less than Friday's L93bn.

Generali, the insurer, was one of the few risers of the day, on reports that Mediobanca was buying the stock. Generali rose L295 or 1.2 per cent to L25,195.

In telecoms, Sip succumbed to profit-taking after its recent gains, losing L22 or 1.7 per cent to L1,253. But several brokers still favoured the stock on a long-term view. James Capel changed its recommandation on Sip from hold to buy at the end of last week, in view of the strong indications that Sip would win a tariff increase next year and the high yield on the share.

MADRID attracted bargain-hunters, who lifted the general index by 1.94 to 265.38 in steady turnover of about Pta10bn.

Among ths most activs stocks, Iberdrola rose Pta18 to Pta719 in volume of 2.33m shares and Telefónica gained Pta45 to Pta1,260 in 1.15m shares.

ZURICH closed higher on late buying inspired by Wall Street's firm opening and rises on other bourses. The Crédit Suisse index gained 2.3 to 496.9 in moderate trading.

Leu Holding bearers added SFr20 to SFr1,750. On Friday, Bank Leu said that business in the third quarter had been satisfactory.

AMSTERDAM was lifted by a firmer dollar and a strong showing in London. The CBS Tendency index added 0.5 to 90.0 but volume was light. Turnover was low at Fl 389.4m.

London's rise lifted dual-listed stocks, with Royal Dutch and Unilever adding Fl 1.10 and Fl 1.60, to Fl 154.50 and Fl 165.90 respectively.

Other winners included Elsevier, which rose 70 cents to Fl 92.80, and Ahold, which put on 80 cents to Fl 82.80. But Hunter Douglas shed Fl 2.80 to Fl 70.

BRUSSELS was enlivened by trading in Groupe Bruxelles Lambert and a few other blue chips, as the market finished steady. The Bel20 index eased 0.06 to 1,104.31 in light turnover of BFr485m, but GBL gained BFr50 to BFr3,385 before news of its first-half profits, due today.

OSLO edged higher in moderate business. The all-share index added 2.49 to 471.35 in turnover of NKr186m. Hafslund's free shares gained NKr9 to NKr252; the pharmaceutical company is due to announce third-quarter figures today.

STOCKHOLM's Affärsvärlden General index added 1.8 to 995.8 as turnover dropped to SKr247m from Friday's SKr454m.

ASIA PACIFIC

Nikkei stays in narrow range before bank meeting

Tokyo

SHARE PRICES stayed in a narrow range in subdued trading yesterday, as investors kept away ahead of today's Bank of Japan branch managers' meeting, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed 4.71 down at 24,901.72, after reaching a day's high of 25,023.52 and a low of 24,854.09.

The market had risen at the opening on arbitrage-linked buying, but the lack of fresh news restricted activity, and volume fell to 250m shares from 330m.

Advances led declines by 491 to 465, with 183 issues unchanged. The Topix index of all first section stocks shed 4.06 to 1,875.57 and, in London, the ISE/Nikkei 50 index edged up 3.45 to 1,417.84.

Owing to the lack of other trading incentives, investors focused on speculative issues. Honshu Paper, the day's most active stock, rose Y43 to Y941.

Ishihara Sangyo, a titanium oxide producer, moved ahead Y26 to Y588 on active buying by speculators responding to last week's reports that the company's researchers, together with a university research group, had developed an advanced photocatalyst.

Navix Line, the shipping company, added Y48 at Y578 on a revised earnings forecast. Buying spread to other stocks in the sector, Kawasaki Kisen advancing Y17 to Y618.

Precision equipment makers lost ground on poor earnings results for the first half to September. Sharp slipped Y20 to Y1,400 on projections that the yen's rise would erode earnings for the whole year, and Canon fell Y50 to Y1,440 on forecasts of weak export orders.

Takeda Chemical Industries weakened Y40 to Y1,540 on small-lot selling, investors being discouraged by the company's forecast for the current year of a 2 per cent decline in pre-tax profits.

In Osaka, the OSE average dipped 60.74 to 27,199.03 in volume of 22.6m shares. Shimano, the bicycle parts maker, retreated Y100 to Y3,090 on profit-taking. The issue had risen from Y2,500 last week on short-covering by speculators.

Nippon Densan, the Kyoto-based precision equipment maker, finished unchanged at Y5,580 after falling to a year's low of Y5,540 initially in reaction to the company's projection of a drop in annual pre-tax profits of 70 per cent to Y850m.

Roundup

PACIFIC RIM markets were mixed yesterday. New Zealand and Bombay were shut.

AUSTRALIA edged higher as hopes persisted that tomorrow's inflation news would lead to an interest rate cut. The All Ordinaries index put on 1.1 to 1,642.8 as turnover eased to A$167m from Friday's options-inflated A$572m.

News Corp receded 26 cents to A$13.14 on profit-taking, after reports of cash-raising plans. Coles Myer, the retailer, gained 20 cents to A$12.10 and TNT added 6 cents at A$1.29.

TAIWAN moved forward 8 per cent on its return from a three-day holiday, as the recent political tension eased. The weighted index rose 127.96 to close at the day's high of 4,381.69 in turnover of T$20.5bn, up from T$15.5bn.

HONG KONG showed caution awaiting next week's news of anti-speculator measures. The Hang Seng index gained 16.70 to 3,988.60 but turnover decreased to HK$968m from HK$1.33bn.

SEOUL fell on institutional selling of financial shares. The composite index closed 8.72 lower at 693.09 in turnover of Won285bn, after Won378bn.

Small electric and electronics shares were boosted by the government's announcement at the weekend that it would provide loans at concessionary rates to small companies in financial difficulties. Yong Tae Electronics climbed by its daily maximum of Won400 to Won8,700 and Joong Won Electronics by its limit of Won200 to Won4,400.

MANILA eased on worries about the possible return from exile of Mrs Imelda Marcos, the former First Lady. The composite index dipped 1.08 to 1,007.09 in light trading.

SOUTH AFRICA

JOHANNESBURG was mixed to easier in thin trading. The all-share index fell 3 to 3,460 and the gold index lost 8 to 1,187, while the industrial index was up 4 at 4,161. Vaal Reefs shed R4 to R207 while De Beers was steady at R91.50.

World held back by fall on Wall Street

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1991	Start of 1991	Start of 1991
Austria	−1.04	−9.65	−18.24	−8.65	−7.34	−17.83
Belgium	+0.59	+2.71	+2.74	+10.43	+10.12	−2.34
Denmark	+1.80	+1.08	+9.60	+23.77	+22.46	+8.60
Finland	−0.95	+0.861	−2.99	−5.95	−7.06	−17.57
France	−1.23	−2.29	+12.38	+19.64	+18.24	+4.86
Germany	+1.15	−2.24	−0.03	+7.28	+6.31	−5.73
Ireland	−1.15	−1.68	+6.63	+18.74	+18.59	+5.14
Italy	−2.02	−3.81	−13.41	−1.35	−1.28	−12.45
Netherlands	−0.87	+0.54	+14.47	+17.67	+18.76	+3.55
Norway	−1.83	−5.70	−13.84	+2.99	+2.50	−9.11
Spain	−0.35	−2.86	+11.10	+20.21	+21.11	+7.40
Sweden	+0.82	−2.43	+11.59	+25.16	+26.19	+13.69
Switzerland	−1.38	+1.73	+15.35	+22.48	+18.37	+4.98
UK	−3.01	−3.29	+20.74	+17.64	+17.64	+4.33
EUROPE	−1.53	−2.30	+11.57	+15.18	+14.56	+1.58
Australia	+1.00	+4.99	+21.31	+29.45	+48.76	+31.94
Hong Kong	−1.15	+0.14	+30.38	+33.92	+51.42	+34.27
Japan	−0.48	+2.90	+3.24	+9.86	+27.84	+13.18
Malaysia	+3.35	+0.81	−3.66	−3.26	+7.20	−4.93
New Zealand	+3.82	+4.28	+1.51	+18.32	+24.57	+10.44
Singapore	+3.57	+4.49	+18.33	+21.22	+40.12	+24.26
Canada	−1.55	+1.64	+7.05	+3.25	+20.05	+6.47
USA	−2.11	−0.49	+24.94	+17.06	+32.02	+17.06
Mexico	−0.61	+9.38	+149.34	+131.46	+155.98	+127.00
South Africa	+2.36	+6.64	+28.09	+28.03	+57.86	+39.81
WORLD INDEX	−1.26	+0.44	+13.69	+14.54	+26.54	+12.21

† Based on October 25th 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities

By Antonia Sharpe

THE WORLD was held back by a disappointing performance on Wall Street last week as generally pleasing third-quarter results prompted investors to take their profits.

According to the FT-Actuaries data, the world index declined 1.3 per cent in local currency terms, held back by a 2.1 per cent drop in the US. Without the US, the world index would have fallen only 0.8 per cent.

In its international asset briefing, S.G. Warburg Securities says that Anglo Saxon markets have been far more efficient at downgrading earnings than their continental European counterparts. "The US and UK third-quarter and interim results, respectively, have for the first time since the recession started to come in above expectations (albeit modestly)," the report says.

The broker warns, however, that the driving force behind earnings in the US has been on the cost rather than the revenue side and thet new capacity in some industries is coming on stream faster than growth is picking up. Furthermore, the US equity market's upside is limited by a rise of almost 30 basis points in bond yields, low liquidity and the fact that foreign investors are no longer underweight.

The week's gains were concentrated in the Pacific Rim, with New Zealand, Singapore and Malaysia climbing by more than 3 per cent.

New Zealand's rise reflected an 8.4 per cent jump in Fletcher Challenge, which accounts for about a third of the market, and a fall in the domestic dollar.

Both Singapore and Malaysia were lifted by renewed buying interest from overseas. This was especially welcome for Malaysia, which is languishing 3 per cent below its 1991 starting level in local currency terms, compared with a 21 per cent rise for Singapore.

Hoare Govett says in its weekly report that, without any fundamental support for a rally and with the Budget due on Friday, the Malaysian market is expected to return to a cautious stance.

FT-ACTUARIES WORLD INDICES

Jnintly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzia in conjunction with the Institute of Actuariaa and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY OCTOBER 28 1991								FRIDAY OCTOBER 25 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	155.62	−0.1	135.44	129.99	138.27	131.92	+0.1	4.62	155.76	134.93	129.38	137.79	131.78	158.25	112.74	124.68
Austria (20)	156.57	−3.1	136.27	130.79	139.11	139.00	−2.7	2.05	161.58	139.97	134.21	142.94	142.79	222.37	154.82	207.99
Belgium (47)	126.34	−0.6	111.70	107.20	114.03	111.25	−0.2	5.33	129.12	111.85	107.24	114.22	111.45	151.20	118.04	138.03
Canada (114)	139.46	+0.8	121.39	116.51	123.92	113.62	+0.7	3.29	138.44	119.92	114.98	122.45	112.82	142.27	126.49	123.31
Denmark (37)	251.24	−0.5	218.66	209.68	223.23	226.30	+0.0	1.57	252.63	218.84	209.84	223.48	226.29	270.56	217.74	258.35
Finland (15)	85.04	+0.0	74.01	71.04	75.56	74.02	+0.2	3.29	85.02	73.65	70.62	75.21	73.87	125.15	83.89	101.55
France (108)	138.64	+0.4	120.66	115.80	123.17	126.84	+0.8	3.50	138.15	119.67	114.74	122.19	125.78	152.28	119.11	139.04
Germany (65)	104.70	−0.7	91.13	87.47	93.03	93.03	−0.3	2.43	105.49	91.38	87.63	93.31	93.31	125.35	94.15	115.24
Hong Kong (55)	164.11	+0.3	142.83	137.09	145.62	163.62	+0.5	4.46	163.56	141.68	135.85	144.69	162.85	169.98	118.62	124.67
Ireland (18)	155.30	−0.5	135.16	129.73	137.98	139.74	+0.0	3.58	156.09	135.22	129.65	138.08	139.74	182.46	132.88	162.20
Italy (77)	87.96	−0.9	59.14	55.78	60.38	84.78	−0.5	3.58	68.56	69.39	56.94	60.65	86.08	88.23	64.78	85.24
Japan (474)	140.05	−0.8	121.90	117.00	124.46	117.00	−0.3	0.72	141.22	122.33	117.30	124.94	117.30	146.97	118.23	139.16
Malaysia (68)	203.40	+0.9	177.02	156.80	180.72	215.78	+1.1	2.86	201.68	174.70	187.51	178.40	213.48	247.78	189.18	207.25
Mexico (18)	1329 17	+0.2	1158.60	1110.31	1180.98	4375.72	+0.2	1.20	1326.73	1149.28	1101.98	1173.63	4367.68	1336.04	534.45	546.44
Netherland (31)	139.20	+0.3	121.15	116.26	123.68	122.30	+0.8	4.41	138.72	120.17	115.22	122.72	121.34	145.73	125.70	134.70
New Zealand (14)	47.88	−0.5	41.50	39.83	42.37	45.81	+0.0	8.37	47.94	41.53	39.82	42.41	45.61	54.64	41.18	51.70
Norway (30)	187.18	+0.8	162.91	155.36	166.32	170.16	+1.3	1.52	186 67	160.64	154.22	164.25	167.90	223.24	178.66	237.73
Singapore (38)	196.84	−0.5	171.32	164.43	174.89	154.29	−0.3	2.24	197.91	171.44	164.38	175.07	154.68	209.25	151.83	165.94
South Africa (61)	256.37	+0.3	223.13	214.18	227.78	174.30	−0.1	2.78	255.70	221.50	212.38	226.18	174.39	258.66	173.00	181.23
Spain (93)	151.67	+0.8	132.00	129 70	134.78	123.85	+1.0	4.44	150.70	130.54	125.17	133.31	122.10	171.12	131.51	149.42
Sweden (25)	181.06	−0.1	157.58	151.25	160.87	166.85	+0.4	2.67	181.26	157.02	150.56	160.35	168.18	204.12	146.60	175.68
Switzerland (59)	93.44	+0 1	81.32	78 06	83.03	86.60	+0.8	2.22	93.36	60.67	77.55	82.60	86.10	100.87	82.17	91.08
United Kingdom (240)	174.75	+1.1	152.08	145.98	155.25	152.09	+1.8	4.87	172.84	149.72	143.54	152.88	149.72	187.44	156.27	181.28
USA (526)	156.18	+1.3	137.68	132.14	140.55	156.18	+1.3	3.08	156.08	135.20	129.64	138.07	156.08	181.02	125.95	121.60
Europe (826)	137.19	+0.4	119.40	114.60	121.90	121.23	+0.8	3.68	136.67	118.39	113.52	120.90	120.19	151.52	125.50	138.54
Nordic (107)	179.96	−0.2	156.62	150.32	159.88	157.63	+0.3	2.06	180.31	156.19	146.77	159.50	157.10	200.81	155.55	186.12
Pacific Basin (718)	140.64	−0.7	122.40	117.49	124.98	118.39	−0.2	1.06	141.68	122.73	117.68	125.33	118.63	145.92	117.86	137.82
Euro−Pacific (1544)	139.61	−0 3	121.51	116.81	124.04	120.36	+0.2	2.18	140.03	121.30	118.30	123.87	120.11	147.66	121.28	137.66
North America (640)	155.94	+1.3	138.58	131.11	139.47	155.18	+1.3	3.07	154.91	134.19	128.68	137.06	153.15	159.66	129.91	121.62
Europe Ex. UK (586)	114 94	−0.2	100 04	96.03	102.15	103.53	+0.3	3.26	115.14	99.74	95.65	101.87	103.21	129.60	103.58	120.91
Pacific Ex. Japan (244)	146.26	+0.1	127.31	122.21	129.99	130.00	+0.3	4.25	146.14	126.60	121.41	129.29	129.62	147.80	111.40	121.26
World Ex. US (1735)	141.56	−0.3	123.22	118.27	125.80	121.72	+0.2	2.23	141.93	122.95	117.90	125.58	121.45	148.16	122.32	137.64
World Ex. UK (2021)	143.37	+0.2	124.78	118.77	127.40	131.24	+0.5	2.27	143.04	123.81	118.81	126.54	130.56	148.77	120.06	129.08
World Ex. So. Af. (2200)	145.39	+0 3	126.53	121.46	129.18	132.87	+0.6	2.53	144.92	125.53	120.38	128.20	132.03	146.66	122.92	130.85
World Ex. Japan (1787)	150.73	+0.9	131.18	125.92	133.85	141.68	+1.1	3.42	149.39	129.41	124.10	132.17	140.49	152.85	126.69	128.12
The World Index (2261)	146 12	+0 3	127.17	122.08	129.64	133.23	+0.6	2.53	145.85	126.17	120.98	128.85	182.40	148.01	123.28	131.04

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Markets closed October 28: Ireland and New Zealand.

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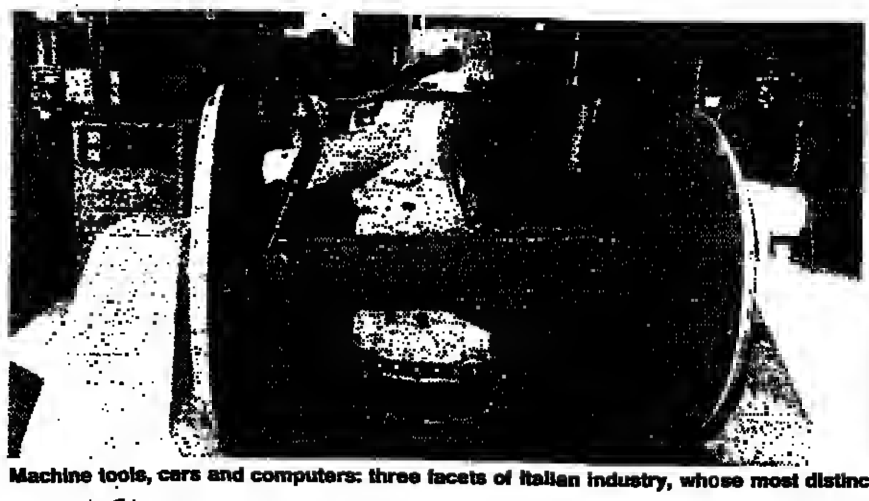
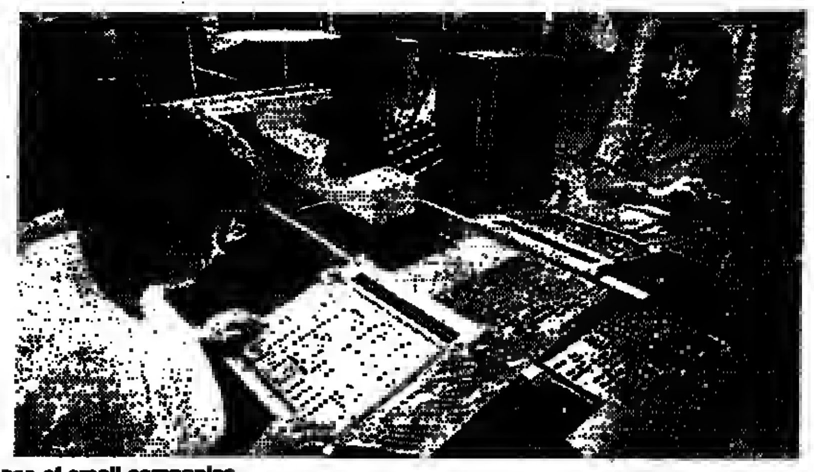
SECTION III

Tuesday October 29 1991





Machine tools, cars and computers: three facets of Italian industry, whose most distinctive feature is the split between the large private groups, represented above, and the predominance of small companies

The promise of higher growth among OECD countries in 1992 may not be a sufficient cushion for Italy — burdened by a budget deficit, high inflation, labour market rigidities and an antiquated banking system — to recover from recession, writes **Robert Graham**

Deep-rooted weaknesses

TALK OF recession has silenced nearly a decade of optimism among Italian industrialists.

The much-prized resilience of Italian industry no longer seems sufficient to prevent a decline in output. Since the middle of 1990, industrial production has been on a downward trend and shows no clear sign of change. Industrial growth is expected to be well under 1 per cent this year, the lowest rate since Italy's last recession ended in 1983.

Orders are falling and stocks are rising. Temporary lay-offs covered by government payments, a significant indicator of the health of larger companies, grew by 20 per cent in the first five months of the year. The big names resorting to these measures include Fiat and Olivetti in the private sector and EniChem, the state chemical group and Alenia, the aviation company, among the public holdings.

Were it not for Italy's protective employment laws, the number of jobless would be considerably above the current 10.5 per cent of the workforce. Italy is caught in a recession, albeit mild, at a time when other industrial partners, such as the US and Britain, are just beginning to show signs of recovery. The promise of higher growth in 1992 among the main OECD countries will not necessarily be a sufficient cushion for Italy to recover.

This time the performance of healthy companies and, indeed, entire industrial sectors can no longer be insulated from the problems of the Italian economy as a whole. As the OECD noted in its latest conntry report, Italy "has entered the 1990s with one of the highest EC rates of inflation and unemployment, and levels of public debt and budget deficit". It went on to warn: "These imbalances are mutually reinforcing each other with, in particular, high structural unemployment and core inflation boosting the budget deficit – the former via revenne shortfalls and unemployment-related transfers, and the latter via high interest payments."

The bndget deficit is over 10.5 per cent of GDP, and almost all accounted for by debt service. Total debt now exceeds nominal GDP for the first time since 1924 in a peacetime economy. The 1992 hudget, tailored to elections which will be held at the latest next May, has made only the most modest correctives. At best, these will ensure the deficit does not deteriorate further.

The budget effect on industry will be to squeeze profits further while containing demand and bolding back much-needed new investment.

Meanwhile, annual inflation is above 6 per cent, almost double the EC average. Added to this, industry has to cope with excessive rigidities in the labour market and an antiquated banking/financial system charging bigb interest rates, which together put enormous constraints on competitiveness. Industrial companies' room for manoeuvre has been further reduced as a result of Italy opting to enter the narrow 2.25 per cent margin of fluctuation band of the EC's exchange rate mechanism.

These problsms have been long accumulating but their weight has only begun to be felt in the past year. And as Italian industry prepares for the impact of the single market after 1992, it will not be enough to predicate survival on the old recipes of hard work and flexibility. Serious structural weaknesses need to be addressed which are rooted deep in the nature of Italian industry.

The most distinctive feature of Italian industry has heen the predominance of small companies fostering industrial develophsnt. Over 59 per cent of the manufacturing workforce is in companies employing under 100 persons. Only 19 per cent are in companies employing over 500 workers. By contrast, the percentages in Britain and Germany are nearly a complete reverse.

Thus on the one hand there are the big stakeholdings such as IRI, ENI and Efim and the large private gronps Fiat, Olivetti and Ferruzzi (Montedison). State companies account for 15 per cent of all non-agricultural smployment in Italy and 25 per cent of fixed investment, while Fiat represents a quarter of Italian stock exchange capitalisation. At the other end of the scale – with little in between – lies a vast agglomeration of small companies, mainly concentrated in the industrialised north. Such a division has meant that big and small companies inhabit almost wholly separate worlds. An equally big divide of communications and culture exists between the state manufacturers and the private sector.

The large state groups have always been financially weak because they have been run on political and social criteria, responsible to the political parties in government. The most obvious result of this policy has been the enormous sums pumped into the Mezzogiorno to establish a better balance of wealth and development opportunity. However, the sheer size of the public sector deficit has now obliged the government to reduce its financial commitment to state companies. In this climate only major surgery can improve the financial health of many debt-ridden companies in the IRI and Efim groups.

Pressure of another sort is coming from the EC. The Commission has ceased to be indulgent towards Italian state aid to industry, and its range of subsidies is being subjected to scrutiny. The private sector, too, has to account to Brussels more directly. Fiat is currently having to justify generons state assistance for the establishment of its greenfield antomotive plant at Melfi, Basilicata in the south.

Coupled with these changes, traditional strengths are beginning to look like weaknesses. For instance, industry has benefited from the loyalty of the domestic market. With fsw exceptious, Italian industry has located the bulk of its production at home and relied on Italian sales for the bulk of profits. As the barriers come down and choice emerges, this loyalty is being exposed as little more than concealed protectionism. Fiat's share of the car market has fallen over 15 percentage points in five years – even if it retains a 45 per cent hold on domestic car sales. As the Italian economy stagnates industry is also being made aware of the dangers of having too much production and sales dependent upon one market.

The success stories of Italian industry have tended to be in traditional sectors and in consumer goods – cars, clothing, consumer electrical goods, shoes and textiles. Yet these are precisely the areas where growth in overall demand is slow and where competition is sharpest from new producers among the Asian newly industrialised countries, EC partners like Portugal or from eastern Europe. Industry needs to be present in faster growing sectors with more advanced technology and higher added value.

Throughout the 1980s, Italian industry retained a competitive edge by improving quality and by investing in new production technology. This concealed the increasing drag on competitiveness cansed hy high lahour costs and insufficient investment in research. For instance, spending on R&D is only 1.3 per cent of GDP compared with 2.3 per cent in France, 2.5 per cent in the UK and 2.7 per cent in Germany.

Although it is beresy to soma, within Confindustria, the industrialists' federation, qnestions are heing asked about the wisdom of continued empbasis on small being "beautiful".

Cost structures and new challenges of competition require more industrialists to think of a medium-sized company culture.

Companies have remained small for complex reasons. But these centre on a desire to keep control within the family and prevent the state interfering witb profits. The small industrialists have stuck to slim workforces because labour laws discourage temporary employment and because of entrenched restrictive union practices.

This has prodnced mnch sub-contracting and/or fragmentation of small plants owned by the same family. The high cost of finance and the difficulty of obtaining medium-term credits militate against large fixed investments. Also, laws imposing punitive value-added tax on mergers act as a disincentive to seek expansion by the latter route.

Finally, and perhaps most importantly, small husinesses can avoid taxes with relative ease; but once they become medium-sized, they are also more visible.

Change is in the air, spurred on by tbe realisation that, without it, Italy risks the humiliation of becoming a permanent member of the second division in Europe. An important catalyst could be privatisation. The government in the 1992 hndget is committed to accelerate the process – not least because of the desperate need to find alternative sources of revenue. But for privatisation to work, the politicians will have to learn not to treat the economy like a fiefdom run for the benefit of friends and party.

IN THIS SURVEY

Editorial production
Gabriel Bowman

Robert Graham looks at the country's uncertain progress towards privatisation

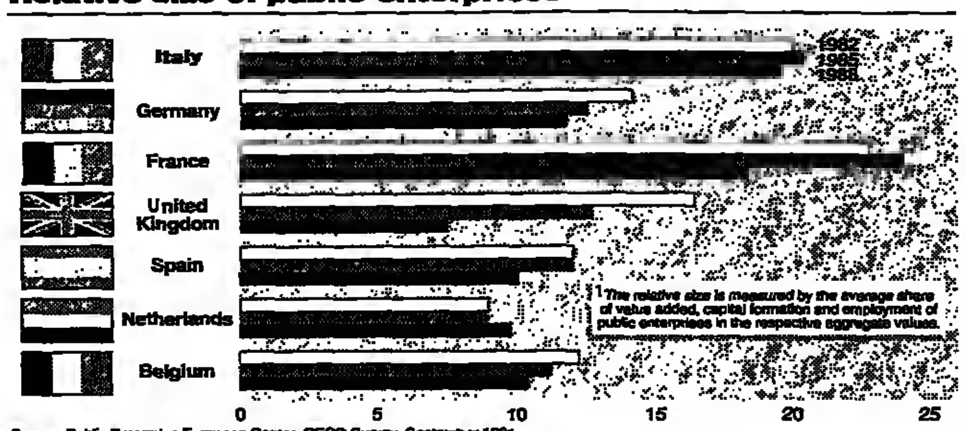
Boldness spurred by necessity

The weight of public enterprises in 1987 (Percentage of sectoral total*)

	Gross value-added of production	Fixed investment	Employment
Energy, electricity and water	86	87	85
Petroleum industry	34	31	35
Production/distribution	93	91	92
Water purification and distribution	90	95	92
Mining, basic metals and chemicals	15	27	21
Basic metal industry	43	57	52
Non-metallic (mineral products)	4	5	13
Chemicals	10	23	11
Fabricated products	12	8	18
Fabricated metal products	5	4	6
Fabricated machinery and equipment	7	8	7
Electric and electronic equipment	15	17	18
Transportation equipment	56	42	61
Food, textiles, wool, skins, etc	4	3	4
Basic foodstuffs	5	3	8
Sugar, drink, other food & tobacco	15	10	18
Construction	4	10	4
Commerce, hotels and restaurants	4	5	9
Retail trade	9	8	8
Transportation and communication	78	91	81
Railways	87	97	84
Shipping	42	74	64
Other transportation-related activities	47	64	41
Communications	99	100	99
Business services	11	7	12
Total: public enterprises	24	47	25

*Sectoral enterprises employing 20 or more. Source: OECD report, September 1991

Relative size of public enterprises[1]



Source: Public Enterprise European Center, OECD Survey, September 1991

AFTER MONTHS of indecision, the Andreotti government has decided to press ahead with plans for privatisation embracing both industry and the service sector. The move was announced in the 1992 budget, presented on September 30, and is more ambitious in scope than had been anticipated.

The previous ban on majority holdings in private hands has been waived and provision has been made for state entities to become publicly-quoted companies. The government has been careful not to say in advance which of the state assets will be sold off, in part or in whole, but in theory any company within the three main state industrial groupings – IRI, the state holding company; ENI, the state energy grouping; and Efim, the industrial holding – is eligible.

If the government begins to act on this commitment, it would have an important impact on the relationship between the state and the private sector, not just in industry but throughout the economy. There has been an increasing division between inefficient and largely loss-making state-run industry on the one hand and a dynamic private sector on the other.

Mr Guido Carli, the treasury minister, went so far as to say Italy was now in the process of removing the last vestiges of an anachronistic, socialistic productive structure. His views echoed those of Brussels and the Confederation of Italian Industry (Confindustria), which have been arguing that Italy can no longer afford a debt-ridden politically-manipulated state sector.

However, within the four-party coalition government there are substantial differences of emphasis and philosophy. At the same time, in parliament the privatisation moves have stirred up a storm of protest. Indeed, the political implications of privatisation in depth are so wide-ranging that the parliamentary process is bound to be very slow and awkward.

Already, the government has retreated to the extent of conceding the right to veto individual privatisations to parliament, although originally it intended to operate via a simple decree. It has also been extremely dilatory in expediting the two financial privatisations agreed earlier in the 1991 budget. Indeed, cynics argue that the Italian politicians would be unlikely to forgo the enormous patronage available within the state's extensive holdings. Traditionally, the top management of all the state companies has been political appointees.

Nevertheless, the government has shown more teeth than many expected. Within eight days of the budget announcement, the government said it had agreed to sell off IRI's 51 per cent stake in Cementir, the cement group. At the same time ENI will sell off three small cement plants, which together with Cementir would mean the state relinquishing control of nearly 13 per cent of the cement industry. Although Italy is Europe's largest cement producer, this is not considered a strategic sector. Various governments have been toying with the sale of the IRI Cementir stake for 10 years in part because cement was believed to be strategic.

The government's position owes less to conviction and more to necessity. With a public sector deficit equivalent to 10.5 per cent of GDP, the government has turned to privatisation as a source of revenue. In the 1992 budget, still to be approved by parliament, some L15,000bn is anticipated from privatisations – a figure almost three times that envisaged in the 1991 budget.

But having fixed this sum, it is not clear whether the proceeds from particular sales, eg from the IRI portfolio, would be returned to IRI or end up in the bands of the Treasury. This is a crucial issue. The state is no longer in a position to hand out funds to public sector companies and is forcing them to look elsewhere.

For a group like IRI with net indebtedness of over L55,000bn, twice its assets, finding funds elsewhere is no easy matter. Thus if denied the proceeds of asset sales, the management and political friends of any company "threatened" with privatisation will fight hard to ensure the move does not prosper.

State involvement in industry has been partially dictated by strategic considerations – the perceived need to control specific sectors to ensure investment levels and price stability. Thus the Italian state has virtual complete control of electricity, natural gas and water supplies, and three-quarters control of transport and communications.

But the state has also acted as a dostbin for unwanted unprofitable private sector companies – Montedison's unwanted aluminium operations went to Efim in the 1970s while ENI picked up the remnants of the private petrochemicals/refining industry.

Equally, the state has sold off assets in the past if there was a willing uncontroversial buyer. Thus Fiat bought Alfa Romeo, the car producer from IRI in 1986. In 1987 ENI sold its textiles interests, Lanerossi, to the Marzotto group, one of the largest private textile concerns in Italy.

The word "strategic" is bandied around to cover industries over which the politicians believe the state should not surrender control. But no serious definition has been produced and recently Mr Francesco Nobili, the head of IRI, claimed that the group's foodstuffs holdings could not be sold because they were "strategic". But it is hard to see why the latter should be strategic when cars and textiles are excluded.

More to the point, is the government willing to sell off all or part of a company like Enel, responsible for the country's power supplies? This is a profitable sector viewed with interest by domestic and foreign investors. Indeed, precisely because the electricity industry is a profitable monopoly with price-sensitive tariffs, the politicians are likely to be both cautious and divided.

In the short term, the government is unlikely to sell off majority stakes but will offer minority holdings to the public on the stock exchange. Here the small size of the bourse and its relative lack of sophistication complicate large-scale sell-offs.

But, equally, the private sector industrialists have such little confidence in dealing with the state that they are unlikely to want to be minority shareholders – especially if they are asked to buy a loss-making operation with a large workforce.

LABOUR MARKET

Pay restraint? They don't understand

HIGH LABOUR costs threaten to put Italian industry at a serious competitive disadvantage now that Italy has joined the narrow band of the European Monetary System. Unit labour costs are currently between one third and a half greater than Italy's main competitors in the European Community.

This reflects the interaction between continued high public sector wags increases, an extremely rigid labour market and expensivs fringe labour costs. Even though private sector employers have held down pay settlements to lower levels, principally because the narrower exchange rate band has left them with no option, wage costs are undermining their competitiveness.

In general, wages have risen above prices even in periods of restructuring and disinflation throughout the 1980s – 3 per cent for the economy as a whole, 3.5 per cent for the public sector. Last year public sector wages grew 15.7 per cent in nominal terms, 9 per cent in real terms, while this year the trend has dropped to 9.8 per cent nominal for the latter. Despite very modest economic growth in 1991, public sector wages look set to grow at an unacceptably high 2 per cent in real terms.

A major bone of contention between employers and unions is the scala mobile, whereby wages are indexed to inflation

Aware of the need to take a stand, the government has made s well-intentioned pledge in the 1992 budget to hold public sector pay increases to 4.5 per cent next year in line with inflation. Nevertheless, there is already talk of a nominal 6 per cent increase. Italians have become unaccustomed to see their living standards eroded and pay restraint is not readily understood.

In the past two years wage increases have outstripped productivity. This is perhaps a more ominous development since throughout the past decade industry managed to retain competitiveness in good measure due to productivity increases. In the smaller companies this has been through discreet shedding of labour and technological innovation. The bigger companies have on occasions found themselves less flexible, unless willing to pump into large sums of money.

Wage and labour-cost indicators
Percentage changes on previous period

	1987	1988	1989	1990
Total economy				
Per capita compensation	8.2	8.8	8.7	10.4
Contractual hourly wage rate	8.8	7.2	8.8	7.8
Industry (excluding construction)				
Per capita compensation	7.8	7.8	9.2	8.4
Contractual hourly wage rate	6.8	8.0	5.8	8.8
Unit labour costs	3.4	2.5	6.3	7.5
Trade services				
Per capita compensation	7.8	7.7	8.1	6.7
Contractual hourly wage rate	6.1	6.2	6.0	8.4
General government				
Per capita compensation	9.4	10.8	7.6	15.4
Contractual hourly wage rate	6.1	10.2	8.0	11.5
Manufacturing industries				
Productivity	5.0	5.9	2.7	0.8
Unit labour costs	2.8	1.6	6.2	7.8
Value added deflator at factor costs	3.4	4.2	5.3	3.0
Profit per unit of output	0.6	2.2	-1.0	-4.6

Source: ISTAT and Ministry of the Budget and Economic Planning

Added to this, indnstry's social security contribntions have risen. As a result, Confindustria estimates that unit labour costs will have risen 17 per cent in the two years 1990-91. The confederation also estimates in its latest report that the return on capital has been slashed by a third in the past four years.

A major bone of contention between employers and the unions (and a government afraid of antagonising the unions) continues to be Italy's residual adherence to the *scala mobile*. This is the mechanism whereby wages are indexed to inflation. Although it has been substantially watered down, the principle remains and the unions are reluctant to forgo it.

In a country with a well-organised trades union movement accustomed to negotiate centralised sectorial wags agreements, adherence to the indexation principle distorts the labour market, impinges on the ability of small and medium-sized companies to foot wage bills and encourages the underground or black economy.

Centralised bargaining also distorts the regional labour market. The unions have fought hard to raise wages in the poorer south to equality with the richer north. This has been achieved with at present only a 2 per cent officially recognised differential in hourly wages. However, productivity in the south is widely seen to be some 30 per cent less than in the north. The south unfortunately happens to be the area where the worst unemployment is concentrated – in part explained by the rigid hire-and-fire laws which militate against temporary smployment in an economy that depends upon seasonal labour and the services.

The three main trade union confederations maintain they are willing to discuss the issue of labour costs, recognising the need for change. But they find themselves in a chicken-and-egg situation. Before they accept to make sacrifices on such issues as the *scala mobile* or job mobility, they want to see the employers making some reciprocal gesture. The latter insist that the recession, combined with high labour costs, has eroded profitability. So the industrialists say nothing can be done until the unions first agree to change their ways – and the government reduces the public sector deficit.

As a footnote, the employers are not entirely consistent. The system of government-aided lay-offs, the so-called *cassa integrazione*, has considerably helped the balance sheets of companies which need to restructure.

In the first five months of this year, 153m unit hours have been covered by this government scheme, which permits lay-offs of up to two years, with the state paying the bulk of the wages. A sizeable proportion of the recipients are workers in the private sector.

Robert Graham

FINANCE

Need for funds becomes more urgent

THE FIGHT for finance has seldom been seen as a decisive constraint on Italian industry. But as the recession becomes more evident this year, some indications are emerging that the need for funds is becoming a more serious concern for industrialists.

Traditionally, small and medium-sized private sector companies, often viewed as the backbone of the Italian economy, have used cash flow to finance their growth. With no outside sbareholders to keep happy, family owners have ploughed back profits into the business, using bank credits only to top up internally-generated funds when necessary.

Such requirements are often seasonal, as in the agricultural and food industries, or in fashion and clothing, where purchases of fabrics and other raw materials tend to be concentrated at certain times of the year.

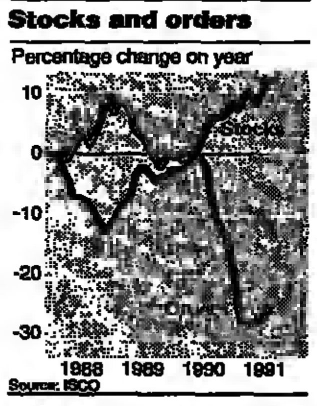
For smaller companies, bank credit otherwise tends to be earmarked for special projects, such as s new factory or a takeover, when cash flow is insufficient. And even then, a visit to the bank manager is probably the exception rather than the rule.

The avoidance of high gearing also applies to many of Italy's biggest private sector companies. The reasons stem partly from native conservatism, which is seen in relatively cautious growth strategies and guarded approach towards acquisitions, compared with their Anglo-Saxon counterparts.

Moreover, some leading public sector groups, such as Fiat, have also been able to benefit from unusually cheap financing thanks to their relationship with Mediobanca, the powerful Milan-based merchant bank.

Mediobanca has won a reputation for its innovative financing strategies for big clients – which often bappen to be among its shareholders. One regular technique is for the bank to capitalise on its high standing in the credit markets to issue bonds specifically on behalf of top industrial clients.

Stocks and orders



Source: ISCO

State-owned companies, concentrated in IRI, ENI and EFIM bolding groups, have also had few capital constraints in the past. Funding has either come directly from central government, or via independent borrowing on the international capital markets either at parent company or subsidiary level. There can be few international investment bankers who have not paid a visit to the Rome headquarters of the big state enterprises at some point or other to their careers.

The stock market has failed to play the role which might be expected of it

By contrast, atructural imbalances in the Italian economy mean the stock market has failed to play the role which might be expected of it compared with most other developed countries.

The need to attract private savings into government bonds in order to finance the budget deficit has traditionally disadvantaged the equity market as a major source of capital. Thus government bonds have traditionally tended to be s more attractive instrument for private savers than shares.

The handicaps on the bourse as a major source of capital for industry hava been reinforced over the years by other factors which have made many small companies in particular reluctant to consider going public.

While an unwillingness to cede even partial control to third parties is the prime usual reason cited against flotation, the stock market's traditionally poor reputation for transparency is often another. Insider trading, poor execution and general inefficiency are factors which have severely hampered the functioning of the Italian stock market as a source of capital for industry.

Meanwhile, ideology and clientalism among political parties probably explain why much of state industry has also tended to steer clear of the stock market. Few politicians ars willing to consider full-scale privatisation for state industry, with the result that qnotations for state-owned companies, where they do exist, tend to be limited to minority stakes or non-voting savings shares.

However, matters may now hs changing under the pressure of lower economic growth and much tighter control of the government's purse strings owing to the ever-growing budget deficit.

As a result, the hig state holding companies, which are already heavily laden with debt, are being increasingly obliged to consider asset sales as an extra source of funding.

So far, outright disposals have been limited in favour of partial solutions. This year alone, IRI has raised money by selling off non-voting savings shares in STET, the telecommunications holding group, and Credito Italiano, one of the country's biggest banks. It has also put its controlling stake in Cementir, Italy's third biggest cement group, on the block.

A decision earlier this month by Italy's Constitutional Court to hlock around L10,000bn earmarked for the state holding companies suggests that the number of sales will rise. IRI alone stands to lose L8,450bn in expected funds as a result of the ruling. The fact that it has already spent or allocated over a third of that amount suggests that further sales of "non-strategic" assets are likely to take place.

Private indnstry also appears to be in the middle of a belt-tightening phase. Those most affected are the handful of companies which have borrowed heavily to finance rapid growth through takeovers, such as Ferruzzi-Montedison, or others, such as Olivetti, operating in sectors facing particular difficulties.

Both Ferruzzi and Montedison are now striving to reduce their gearing, following a period of breakneck expansion through takeovers under Mr Raul Gardini, their former boss. Meanwhile, stung especially by unsuccessful takeover bids abroad, Mr Carlo De Benedetti's CIR holding company, which controls Olivetti, has also gone s long way to eliminate debt from its balance sheet.

The firat-half figures for many of Italy's big banks showed that lending to industry was still relatively buoyant, despite the slower economy.

Private industry appears to be in the middle of a belt-tightening phase

According to Banca Commerciale Italiana, one of the country's top industrial lenders, horrowing rose by over L10,000bn to L72,814bn in the first half, with the bulk of the increase coming from increased customer demand. Other hig banks told a similar tale.

But the impact of recession is already being ahown by a much more cautious approach towards growth by big industry. In the public sector, the special constraints on state funding mean not only caution towards expansion, but a reluctant necessity to consider disposals, are also in the air.

Haig Simonian

David Lane looks at the plans and prospects of the country's biggest private sector corporation

Fiat invests to beat off the invaders

STAFF AT the "Gruppo di Progettazione" engineering group at Fiat's Turin headquarters are being kept more than usually busy. During the five years 1991 to 1995, Italy's biggest private sector corporation plans to spend L6,000bn (£2.76bn) on research and development and a further L22,000bn on investment in processes and products in the automobile sector.

The "Gruppo di Progettazione" has the responsibility for spending much of this budget. The success of Fiat automobiles in facing the increasingly tough competition of the 1990s depends in large measure on the corporation's project engineers making the right decisions now on the design and operation of plants.

Just under a year ago Fiat announced a major new project at Melfi in Basilicata – the instep region of the Italian boot. About L2,700bn will be spent on an integrated bodywork and assembly plant that will employ a payroll of about 7,000. If plans keep to schedule, the first successors to Fiat's best-selling Uno model will leave Melfi's assembly lines in January 1994. The plant will reach annual production of 450,000 cars at full capacity.

Though many details must still be finalised, some fundamental engineering decisions have been taken. Welding and painting at Melfi will use technology that has been successfully employed for the past four years in building the Tipo and Tempra models at Cassino, a plant 60 miles north of Naples that employs about 8,000 workers.

"No company can be static and survive. But it is not possible to invest everywhere at the same time"

"Manufacturing technologies and techniques that have performed well at Cassino, like welding which provides a benchmark for this type of production, will be transferred to Melfi. Like all plants, it will contain a mixture of known and new technologies. "We must match the competition technologically and provide the right quality-cost results," says a Fiat spokesman.

Melfi is not the only important new project that Fiat is undertaking in Italy's *mezzogiorno*. An engine plant employing a payroll of 1,300 and producing 800,000 units annually is being built at a cost of L1,900bn at Pratola Serra in the adjacent province of Avellino.

And major changes are in prospect at Pomigliano d'Arco, the plant near Naples that became part of the Fiat Group when the Turin company acquired Alfa Romeo from the IRI state holding corporation in 1986. Pomigliano d'Arco is already tooled up and production is under way of the Alfa Romeo 75's successor, the 155 model that will be launched at the beginning of next year.

Fiat emphasises, however, that there is no intention to abandon the north in favour of the *mezzogiorno*. "The large Mirafiori plant in Turin, which produces the Croma, Thema, Y10 and Uno, will build the Uno successor as well as Melfi. We started production of the Y10 last year at Arese near Milan, which will compensate for the cessation of production of the Alfa Romeo 75 at that plant," says the spokesman.

New welding lines similar to those at Cassino were installed at Arese in tooling up for production of the successful Alfa Romeo 164. Investment planned for the plant, which employs about 6,000 workers, includes new painting lines.

"No company can remain static and survive. Renewal is fundamental, though it is not possible or necessary to invest everywhere at the same time," says the executive.

Japanese-badged cars, increasingly of European construction, are gaining market share

In the major rationalisation process under way at Fiat, the corporation's managers and engineers are also looking very carefully at working methods. "Investment in technology is not enough on its own, and considerable effort is being focused on factory organisation, an area to which insufficient resources have been given in the past. We have to adjust and to optimise. We must recover our market position."

The difficulties that accompany transition from the prosperous closing years of the 1980s to the tougher times of the early 1990s are starkly revealed in the figures for Fiat's recourse to Italy's state labour lay-off scheme, "CIG – Cassa Integrazione Guadagni". This week – the last in the month – 50,000 workers from Fiat's car factories will stay at home, continuing the pattern that has marked the year.

Every month this year, except January and August when factories had holiday closures, between 20,000 and 50,000 workers have enjoyed one week away from the assembly lines with wages made up from the CIG. Fiat has thus been able to cut production by about 220,000 cars.

It has needed to do so. The statistics for the nine months to the end of September show that Fiat Group's automobile sales in Italy were 13.7 per cent lower than in the same period last year. Fiat's own sales slumped by 102,400 units to 581,200, a drop of 14.8 per cent. Similar falls were recorded with Fiat Group's other main badges. Sales of Alfa Romeo declined by 14,200 to 89,700, while Lancia/Autobianchi sold 152,200 which was 23,700 down on January to September 1990.

Yet the Italian automobile market as a whole has held up well this year. Total sales after nine months were only 1 per cent lower, at 1,804,800. Fiat has been losing ground to imports. The *sorpasso* that occurred in the closing months last year has been confirmed in 1991: Fiat has been overtaken.

Erosion of the company's position in its home market, crucial to corporate health as sales in Italy are about twice those elsewhere in Europe, has become evident over the past three years. The Turin group had a domestic market share of 59.9 per cent in 1988, 57.7 per cent in 1989 and 52.8 per cent last year. If 1991 closes on the trend established in the first nine months, Fiat's share will be 47.9 per cent.

Ford has been the most successful invader, boosting sales of best-selling models such as the Fiesta and Escort by 51.3 per cent this year to reach 204,300 at the end of September. Renault has also made significant ground with a 24.7 per cent advance to 152,600 units, overtaking Volkswagen, Fiat's long-standing opponent for European primacy. The German maker nevertheless improved its Italian sales by 8.1 per cent to 147,800 units.

But the outstanding revelation, alongside Ford, has been the performance of Japanese badged cars. Their sales rose by 44.3 per cent to 48,300 units, giving a 2.7 per cent market share. Referring to extremely aggressive competition, Mr Gianni Agnelli, Fiat's chairman, told shareholders this June: "There is particular concern about the prospects of large-scale entry by the Japanese automobile industry into the Community market."

Sharp pricing, attractive model ranges and good quality are the reasons why Japanese-badged cars, increasingly of European construction, are gaining market share in Italy. The same is true of Fiat's traditional competitors.

The figures draw a picture of an Italian automobile industry that is under siege. And for this to be lifted, Fiat's styling centre and the engineers of its "Gruppo di Progettazione" will need to be on target with their designs for new models and the engineering for producing them.

As analysts scrutinise the figures, some probably think that the Italian automobile industry has missed two tricks in the past five years.

In the Alfa Romeo deal, the nation lost an opportunity to host a multinational industry and denied itself the benefits that this would have brought. And then, with the Italian automobile industry becoming synonymous with Fiat, the Turin group lost an opportunity to internationalise a year ago by choosing Melfi and Pratola Serra.

Looking to the future, however, much depends on the successor to the best-selling Uno. The Tipo has not been the winner that was hoped, and even if Fiat's Polish-built Cinquecento being launched at the beginning of next year meets consumer approval, it is in the contracting Segment A and will give low margins. The wait for the ever-green Uno's successor will be full of suspense.

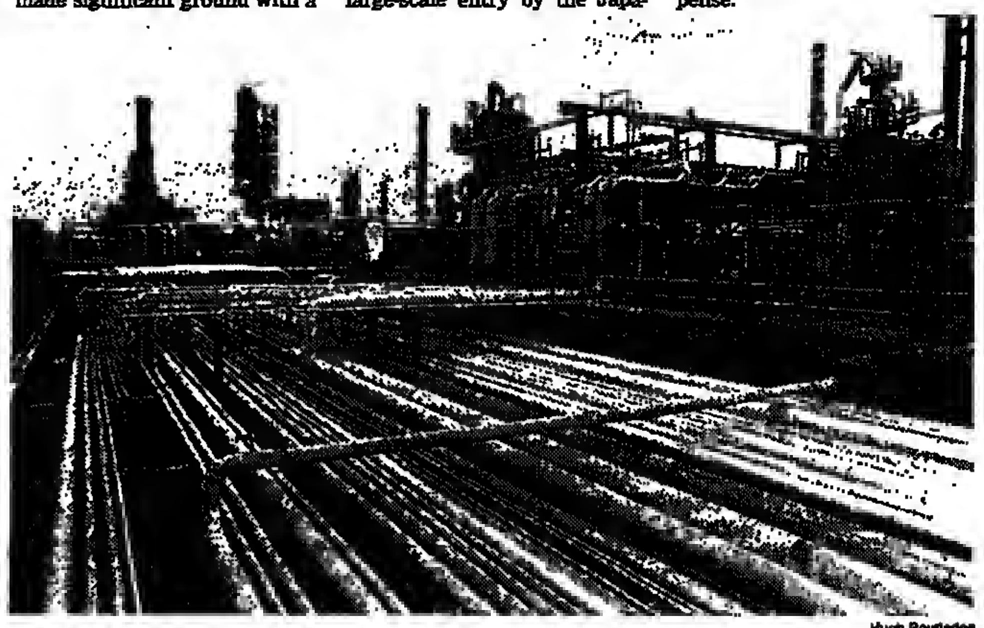
FIAT: the five-year record

	1986	1987	1988	1989	1990
Financial data (Lbn)					
Net revenues	16,384	22,142	25,454	28,424	27,675
Operating profit	1,578	1,998	2,136	2,362	907
Investment	2,060	2,177	1,875	1,444	1,999
Research & development	378	558	673	821	1,067
Sales data (000 units)					
Italy	1,021	1,234	1,346	1,419	1,231
Share (%)	60.5	59.7	59.9	57.7	52.8
Europe (excl Italy)	509	635	661	698	701
Share (%)	4.8	5.6	5.8	5.8	5.9
Rest of world	181	168	192	167	200
Total Fiat sales	1,711	2,037	2,199	2,284	2,132

Source: Fiat


Engine production at Fiat's Mirafiori plant in Turin
Hugh Routledge


Giovanni Agnelli, chairman of Fiat: "particular concern"
Ashley Ashwood


The ENI oil refinery at Sanazzoro Dei Burgondi
Hugh Routledge

David Lane investigates why the machine tool industry is one of the most successful in Europe

Demand stays buoyant as orders fall

"THE free fall in machine tool orders continued in the third quarter," said the press statement released in mid-October by UCIMU-Sistemi per Produrre, the Italian machine tools, robot and automation manufacturers' association. Total orders received between July and September logged a 19.8 per cent fall at constant prices compared to tbe same period last year. Orders from Italian customers slipped by 6.7 per cent, while export orders slumped by 28.8 per cent.

It was the seventh successive quarter in which UCIMU has reported a drop in orders. This latest quarter's downturn is particularly adverse as 1990's third quarter reference period recorded orders that were 33.6 per cent lower than in the previous year.

Unless there is an unexpected and substantial improvement in the closing months, 1991 will leave Italian machine tool makers with a bigger fall in orders than they suffered last year. At constant prices, orders fell by an average of 20.3 per cent in 1990 compared with 1989.

Anticipating Italy's economic slowdown, orders from home customers were 31.6 per cent lower last year than in 1989, while export orders held up relatively well with a modest 5.3 per cent fall.

The story written in the order books over recent months should subsequently be read in results, as orders are processed into production scbedules. In the meantime, the figures published by UCIMU do not appear as bleak as might be expected.

Indeed, after the sharp order reversals registered last year, production, export and home market demand have been surprisingly buoyant. At L4,800bn, output last year was 1.5 per cent higher in real terms than in 1989. And real advances were made in exports and home demand, which increased by 1.2 and 7.6 per cent respectively. Earlier this year, UCIMU forecast a 4.3 per cent real increase in exports, a 1.4 per cent rise in home demand and a modest 0.7 per cent fall in prodoction during 1991.

These figures help to explain Italy'a place last year in the world rankings of machine tool prodncers. With production worth $3.7bn, Italy ousted the US from fourth place and significantly closed the gap with the USSR. Its share of world production increased from 6.9 per cent to 7.9 per cent in 1989.

The share of world exports held by Italy's machine tool industry is at a similar level,

Cesare Manfredi: small is flexible in Italian industry

7.8 per cent last year. With exports amounting to L2,190bn Italian manufacturers were able to consolidate their ranking as second largest EC exporter and the fourth largest worldwide.

Germany, France, the US and the USSR provide the main outlets for Italy's exporters. These markets, characterised by demand for products with high technological content, absorbed almost half of total sales of Italian machine tools abroad last year, with strong growth in Germany and France more than compensating for the decline in sales to the US and the USSR.

UCIMU considers that Italian machine tool makers are well positioned in Europe, particularly in the German, Spanish and French markets. These are expected to grow at real annual rates of 6.5, 5.4 and 5.2 per cent respectively between 1991 and 1995, so prospects are rosy. In addition, the Italian industry has good sales networks in Portugal, Switzerland, eastern Europe and the USSR.

It is indicative of the aggressive export stance adopted by Italian machine tool manufacturers that they were present in force at June's EMO fair in Paris. The Italians, with almost 340 exhibitors, taking nearly 26,000 square metres of space, comfortably exceeded the French in presence and were a good match for the massive German representation. By comparison, Britain's 43 exhibitors took 2,600 square metres.

What is the reason for the success of Italian machine tool makers in export markets? "The key lies in flexibility and variety of supply. Tailor-made solutions are designed and built to satisfy customers' requirements. Where a machine will not perform the job that is needed, Italian machine tool makers will make modifications to meet specific needs," says Mr Cesare Manfredi, UCIMU's chairman.

"The Italian industry is able to respond partly becanse firms are predominantly small and therefore flexible. But it is able to give a personalised response also because the Italian industrialist is willing to become involved in the details and peculiarities of his client'a problems," adds Mr Manfredi.

His own firm is typical, a small to medium-sized operation in Reggio Emilia, making milling machines and recording annual sales of abont L25bn. Statistics from UCIMU show that about 85 per cent of the industry's 450 firms have payrolls of less than 100 workers. UCIMU's membership of nearly 220 accounts for about 80 per cent of total industry-wide turnover.

Though small size allows

Italy's machine tool industry
(Figures in Lbn)

	1986	1987	1988	1989	1990	1991*
Production	2,643	3,171	3,924	4,444	4,800	5,070
of which: exports	1,526	1,446	1,792	2,122	2,190	2,330
home sales	1,117	1,725	2,132	2,322	2,610	2,740
Imports	549	771	948	1,121	1,299	1,440
Demand	1,666	2,496	3,080	3,443	3,909	4,180
Trade surplus	977	675	844	1,001	891	890

*Forecast — Source: UCIMU

flexibility, Mr Manfredi believes that the fragmentation in some sectors of the Italian machine tools industry is a weakness. "The association has been looking at ways of encouraging mergers. I am particularly interested in fostering cross-border co-operation, whether mergers or agreements on technical or commercial collaboration.

"The best way of facing 1992's Single Market is to create a truly European industry. Two years ago UCIMU invited representatives of the associations in the main European countries to attend its meetings, to exchange ideas and examine the possibilities of inter-firm co-operation. The Germans declined, but the French and Spanish associations accepted. Britain accepted bnt has never attended these joint meetings," says Mr Manfredi.

UCIMU's chairman considers that mergers or co-operative pacts could be a way of counteracting the Japanese. "In small work centres and lathes, their machine tools industry is highly competitive. In Italy no firm is large enough to undertake long production runs and produce at prices competitive with the Japanese. There is no technological gap; the problem is costs.

"The Japanese industry is strong in standardised and general purpose machines. But it is investing heavily in machines with higher qualitative and technological content in order to increase its penetration in Europe," warns Mr Manfredi. The Japanese strengths and intentions have been made very clear to Italian machine tool makers.

Last year, purchases from Japan amounted to L182bn, a figure nearly three times greater than France, which gave Japanese machines third ranking after Germany and Switzerland in Italy's import table. More than 30 per cent higher than in 1989, Japanese exports to Italy were an important factor in the increase of the import/consumption ratio from 32.6 to 33.2 per cent.

However, the atrengths of the Italian industry help generate a substantial trade surplus in machine tools, even though the contribution made by exports to Japan's closed market is minimal: L26bn in 1990. With exports expected to absorb 46 per cent of production this year, the trade surplus should be around L890bn, in line with 1990.

Mr Manfredi is bullish. "Our high ratio of exports provides a cushion against domestic downturns. An increase in exports will compensate for the impact of the economic slowdown on machine tool purchases at home. The situation is certainly not all black."

Robert Graham looks at the Prato textile industry

Style tests get stiffer

FROM THE designer clothes to the careful understatement of his large new office and the gleaming Mercedes parked outside, Mr Roberto Cenni exudes success. He represents the second generation now taking over the management of Gommatex, one of the leading textile companies in the Prato area just north of Florence.

Started 30 years ago by two men with two employees, Gommatex now has a payroll of over 400 and produces knitwear, wool textiles, cotton, linens and fake furs for the ready-to-wear fashion industry. Its broad product range has been one main factor enabling the company to consolidate its position in an increasingly competitive market.

Others have been less fortunate as the Prato textile industry confronts its first crisis after nearly three decades of spectacular growth. The Prato area boasts, round the River Bisenzio, the largest single concentration of textile and clothing companies in Europe. But during the last five years an important process of change and contraction bas been forced upon the industry, characterised until then by the success of its small family businesses.

Between 1985 and 1990, productive capacity was reduced by 30 per cent. According to Dr Andrea Balestri, head of research at the Prato Industrialists' Union, the number of textile companies fell from 17,000 to 12,000 during this period.

Exports, which account for roughly 50 per cent of production, also fell in value by 14 per cent to L2,819bn. Employment levels have also dropped. Right up to the mid-1980s, the Prato area had one of the fastest-growing working populations in Italy, attracting immigrant labour from inside the country as well as a considerable number of foreign workers (usually employed in the "black" economy). But Dr Balestri believes that at least 10,000 jobs have been shed from a high of 60,000 textile workers in the 1980s.

The wool trade in Prato dates back to the 14th century; but the present industry owes its origins to the post-war period when the traditional mills, usually working recycled textiles and clothing, lent or leased looms and spindles to former employees. This gave rise to a plethora of small workshops, able to adapt to rapidly changing fashions, especially in female clothing.

They were helped by well-run, communist-controlled local authorities which encouraged the concept of the small and medium entrepreneur. In this way a unique culture emerged of both fierce competition and mutual inter-dependence and trust among the entrepreneurs. "Whenever I am showing visitors around factories, I don't even need to announce myself. The doors are always open and I can walk around," says Dr Balestri.

Dr Balestri believes this environment has helped generate a creativity which has enabled the industry to expand and adapt, moving away from being imitative and demand-led. "When production costs cease to be competitive, we can still stay ahead with ideas and flexibility," he says. The entrepreneurs pride themselves on being able to produce a new idea in under 20 days.

But the indnstry has "matured" and both labour and general production costs have eroded competivity. With high wages, the only way to reduce costs has been through cutting jobs, sub-contracting and importing workers from North Africa (some 1,000 have even come from China). Resort to the later expedient is merely a palliative and there is a social limit to the size of this largely illegal labour force.

On the finance side, borrowing costs remain high and many Prato companies were hit by the collapse of the local savings bank, the Cassa di Risparmio di Prato, in 1987-88. The unpredictability of the fashion business, combined with the small size of the majority of the companies, means that financial structures are weak. (Only 65 companies have payrolls of more than 50 people). Latterly, several small companies have stayed profitable through low tax payments.

On the production side, the industry's original strength and concentration was carded wool aimed at the cheap end of the market. But the Portuguese textile industry has emerged as a major competitor in the past decade, and more recently Romania, in addition to a number of Asian producers. Indeed, the companies which have disappeared have tended to concentrate on the mass market. For instance, last year the number of wool producers dropped by 18 per cent. But this was compensated by a similar percentage of new companies moving into higher quality textile production.

Today some 35 per cent of activity is still concerned with recycling textiles and producing for the mass market. Roughly half is taken up with supplying the ready-to-wear business and department stores; while the remaining 15 per cent is upmarket fashion. In contrast, the other textile "monoculture" at Biella in northern Italy, which is two-thirds the size of Prato, concentrated on quality fabrics (worsted and cashmere) and has managed to prosper – essentially because of its niche market position and emphasis on quality. The lesson of Biella has been taken on board.

The average size of Biella companies is also larger and this is leading to a rethink in Prato of its "small is beautiful" philosophy. Many of today's costs such as successful marketing, investment in new technology and computer-aided design require concentration rather than the old fragmentation. Infrastructure costs are also increasing as indeed is the price of land in a highly built-over area.

Large sums will need to be spent on anti-pollution measures to placate a growing environmental lobby since the industry is a heavy pollutant. Already, local business and the Prato municipality have linked up in a common funding of an industrial waste water project, the first such instance in Italy. As it is, uncontrolled use of underground water supplies is unlikely to last.

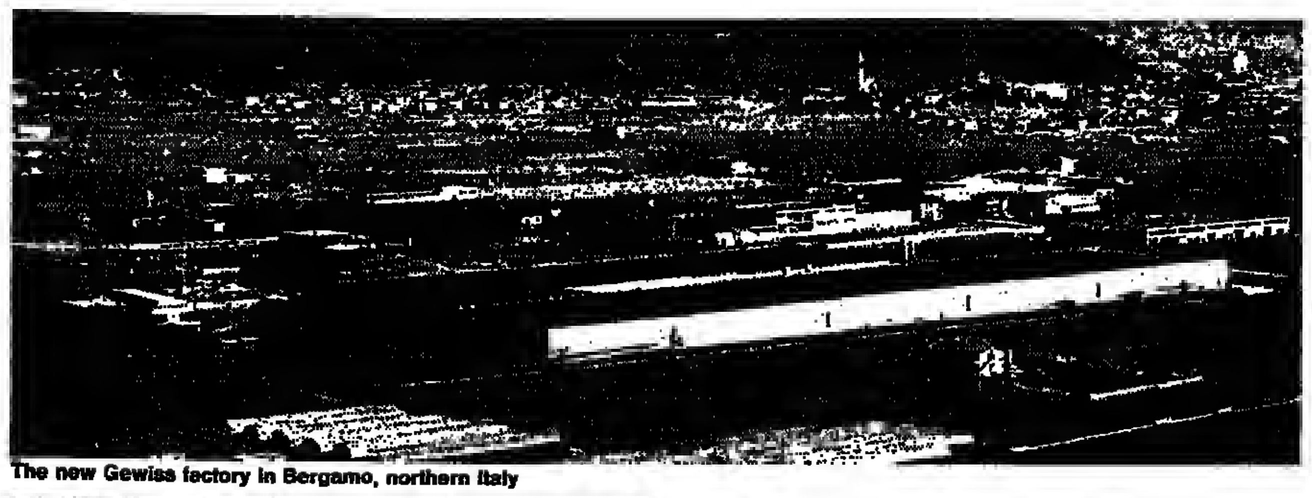
People like Mr Claudio Martini, the mayor of Prato, also recognise the dangers of a community relying too much on demand-led monoculture of textiles. Thus, he is encouraging diversification. Part of the Florence-based printing industry is being urged to relocate and the University of Florence engineering faculty will move to Prato.

But despite the present difficulties, textiles are likely to remain an integral part of the Prato economy. Indeed, some Prato industrialists argue that the decline in the number of companies during the past five years is part of a dynamic process whereby the industry is strengthened and modernised.

That, at least, is what Mr Cenni of Gommatex believes. He willingly accepts the challenge of bi-annually reading the fashion industry correctly to satisfy customers with the right product at the right price. "It's like sitting an exam twice a year and if you don't do your homework, you don't pass," he says.

Company profile: GEWISS, electrical fittings and lighting company

The advantages of going public



The new Gewiss factory in Bergamo, northern Italy

NESTLING IN the hills just north of Bergamo, one of the richest cities in northern Italy, Mr Domenico Bosatelli's new factory appears an object lesson in efficient plant design.

Spacious offices, well-laid out workshops and a rigorous attention to detail mark out the latest investment by Gewiss, the quoted electrical fittings and lighting company he controls.

With sales of L111bn and net profits of L12.6bn last year, Gewiss is a good example of the medium-sized, family-controlled industrial enterprises which form Italy's economic backbone.

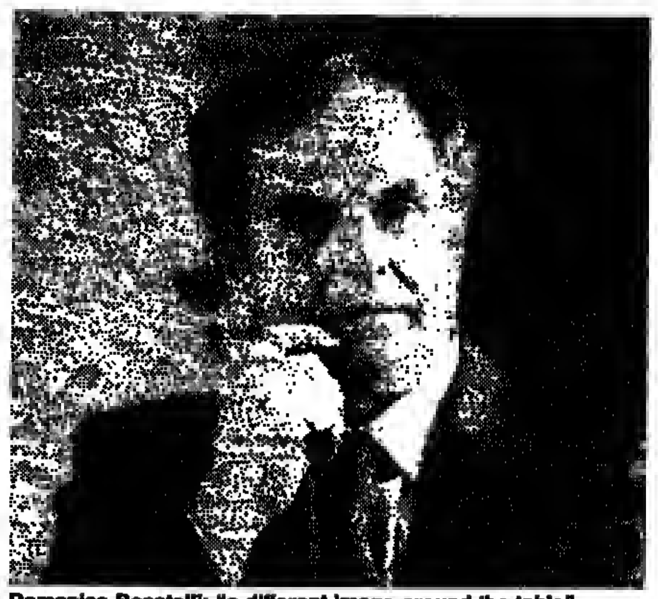
Mr Bosatelli is unusual among Italian entrepreneurs for having floated part of his group, now worth around L150bn on the bourse. However, the ranks of dark Mercedes saloons parked outside his headquarters demonstrate that he is otherwise typical of the highly-successful north Italian businessmen who race along the Autostrada, one hand on the phone, almost as fast as their German counterparts.

Most have plenty to say about their businesses, but even more when it comes to politics and the public sector. Mr Bosatelli is no exception.

He prefers not to list the dozens of factors which handicap his business compared with Legrand, its big French rival. "We try not to think about these things or else we'd change jobs," he says. His complaints, like those of his many other private sector counterparts, focus on the poor quality and "scarcity" of public sector services; and the "short-termism" of Italian politics.

Poor services start with inadequate telephones and postal facilities and stretch to badly maintained motorways. And short-termism is summed up by Italy's rotating governments and the ministerial inexperience they foster.

"While the politicians just think of the next crisis or election, we have to plan five or 10 years ahead," he says. "These are all the ills of Italy. It's not worth going into them further. Entrepreneurs should just accept the state of things and get on with it."



Domenico Bosatelli: "a different image around the table"

Mr Bosatelli has been practising what he preaches. Since he founded Gewiss 20 years ago, the company has developed into the market leader in Europe for external lighting and the main producer in Italy for many types of electrical fittings.

The continuing fragmentation of the European market on account of different national product standards has kept the export share of sales to around 10 per cent of group turnover at Gewiss. Nevertheless, the company has won contracts to provide emergency lighting for the Channel Tunnel and temporary trackside illumination for British Rail.

Moreover, matters may be changing, thanks to the harmonisation of international electrical standards, says Mr Bosatelli. The company's latest range of electrical fittings for industry, which has been under development for almost three years, will meet the new common international standards which have just come into force.

Rather than square, flat or round pins as in the past, electrical connections for industrial equipment now have to follow a unified standard, whether for a factory in Milwaukee or a workshop in Madrid.

Gewiss has already established marketing and distribution offices in France, Spain and the UK to spur its foreign growth. A new operation in Germany is due to follow, while discussions are under way on setting up in the US. Eventually, exports should reach 40-50 per cent of group sales, says Mr Bosatelli. In the first half of this year, foreign sales soared by 75 per cent.

As with many medium-sized businesses, much of the investment at Gewiss is financed from cash flow. Plans for a rights issue last year to help pay for the new plant, which accounted for L20bn of investment in 1990 alone, were shelved after the company decided that internally-generated funds would be adequate. "The rights issue was postponed to finance a venture for which internal resources would not be enough," says Mr Bosatelli.

Now, an acquisition could be on the cards. The lighting market in Italy is still fairly fragmented, with 10 manufacturers accounting for around 80 per cent of national sales, although there are no immediate takeovers in the offing.

Mr Bosatelli recognises that the company must continue to grow, and that increasing the proportion of shares floating on the bourse is inevitable. With one son in the business and the other due to return after military service, he does not think that family ownership of medium-sized or larger companies in Italy is doomed.

However, he stresses the need to bring in professional managers and take steps to prevent the family's shareholding being dissipated among future heirs, making decision-making impossible.

"I think it has become quite indispensable to go public. For two reasons. Primarily, because after the first generation, the shareholding is split; secondly, in order to have the company managed professionally, and as one unit," he says.

Flotation is also "in the interests of the company". The stock market provides an additional source of capital. And, for an Italian company often involved in international negotiations, "it makes us look more reliable and solid. You have a different image around the table if you are public."

Mr Bosatelli is ploughing ahead, politicians and all

Share ownership also stimulates the staff, he believes. Around 20 per cent of the employees at Gewiss became shareholders when the company went public.

Although sales rose by 16 per cent to L66.2bn in the first half while net profits edged up by only 1 per cent to L6.68bn, most seem content with their investment. Higher spending on fixed investments and research and development will keep the lid on earnings for the full year too, forecasts Mr Bosatelli. Nevertheless, undamted by recession in a number of markets, he is ploughing ahead, politicians and all.

Haig Simonian

Profile: GUIDO BODRATO, industry minister

The pitfalls of privatisation

BESPECTACLED AND mellifluous, Mr Guido Bodrato is not everyone's image of an industry minister. A long-serving Christian Democrat politician from Piedmont in northern Italy, his ministerial responsibilities in previous governments have focused more on education and finance than industry.

Brought into Mr Giulio Andreotti's new government in April, Mr Bodrato, 58, has now found himself in one of Italy's hottest seats. With public finances deteriorating as the government hndget spirals upwards, the Treasury's stress on privatisation as a source of income has caused friction between Mr Bodrato and some colleagues, notably Mr Guido Carli, the treasury minister.

Matters reached a head last month, when Mr Carli secured a commitment in the budget to press ahead with the hitherto halting privetisation programme by adding companies like ENEL, the state-owned electricity group, to the list of possible sell-offs.

Although the proposals have been greatly watered down following a barrage of criticism, Mr Bodrato has increasingly emerged as one of the figureheads of the anti-privatisation camp.

Despite his eloquent remarks to the contrary, his stance against sales of state assets is soon evident. Privatisation "is just a slogan", and what matters is whether companies do better in private hands, he emphasises.

He is not against disposals as such, bnt crossed swords with the Treasury following Mr Carli's statement that selling public businesses was another facet of rolling back socialism and linked to the collapse of communism in Europe.

For Mr Bodrato, the remarks were misguided, at best. The Italian government's role in industry stemmed not from ideology, but a need to bail out private sector companies in difficulties that began in the 1930s and has continued ever since. "It was not ont of any ideological desire to raise the role of the state," he says.

Guido Bodrato: has crossed swords with the Treasury

"There is no conflict of opinion within the government on reducing the role of the state in the economy or selling off assets." Reports of ministerial clashes are "a bit artificial".

Nevertheless, Mr Bodrato deftly outlines the obstacles to privatisation. Some sectors, such as heavy industry, energy and chemicals, are "strategic" and cannot be sold.

The ability of domestic financial markets to absorb sales is another constraint; there is little point in big sell-offs unless enough investors can be found to absorb the assets. Yet in order to dent the deficit, any sales would have to be of a "relevant" size to attract investors, especially from abroad.

Moreover, current concerns about recession and depressed trading volumes on the bourse mean it is hardly the most opportune moment for privatisation.

Ministerial hands are further tied by the fact that private savings must be attracted into government bonds in order to finance the deficit. Thus any government must take care to avoid privatisations competing with bonds for savers' cash.

As for ENEL, one of Mr Carli's favourite candidates, there are both legal and financial obstacles to a disposal. Privatising electricity would mean changing ENEL's legal monopoly, wbich could lead the government into a political minefield. And tariffs would have to rise to make ENEL more attractive to investors. While higher profits could increase ENEL's stock market appeal, the consequences for Italian industry and inflation would be dire, he warns.

Simiiar problems facing other big public sector sales swiftly whittles down the potential privatisation list. In the end, surplus state property, like old army barracks and railway land, and, just possibly, some public sector businesses in the food industry, are about all that remains.

Yet despite Mr Bodrato's skilful elucidation of the pitfalls, he tacitly admits that party political differences over privatisation could in certain cases result in the buck for disposals being passed to executives at the big state holding companies IRI, ENI and EFIM.

Managers at the three groups know they can no longer rely on government funds as a result of the pressure on the deficit, so disposals could be one solution.

Mr Bodrato accepts that, in the case of smaller sales, the decision could be left to the management boerds concerned. "It would be a way of giving primary responsibility to those who are in charge of day-to-day management," he says.

Despite all the recent polemics over privatisation, Mr Bodrato has not lost his taste for the industry portfolio. "I thought it would be much more closed and bureaucratic than it is," he says. "In fact, it interests me far more than I thought it would in the past."

General elections scheduled next year could mean Mr Bodrato's term of office will go down as one of the shortest on record. He gives no hint abont his own ministerial ambitions. However, the implication is that he would be pleased to retain the industry post. "It's a ministry which is tiring, with lots of speeches and meetings, but I don't see my interest running out," he says.

Haig Simonian

Robert Graham explains why the sector has fallen behind the international competition

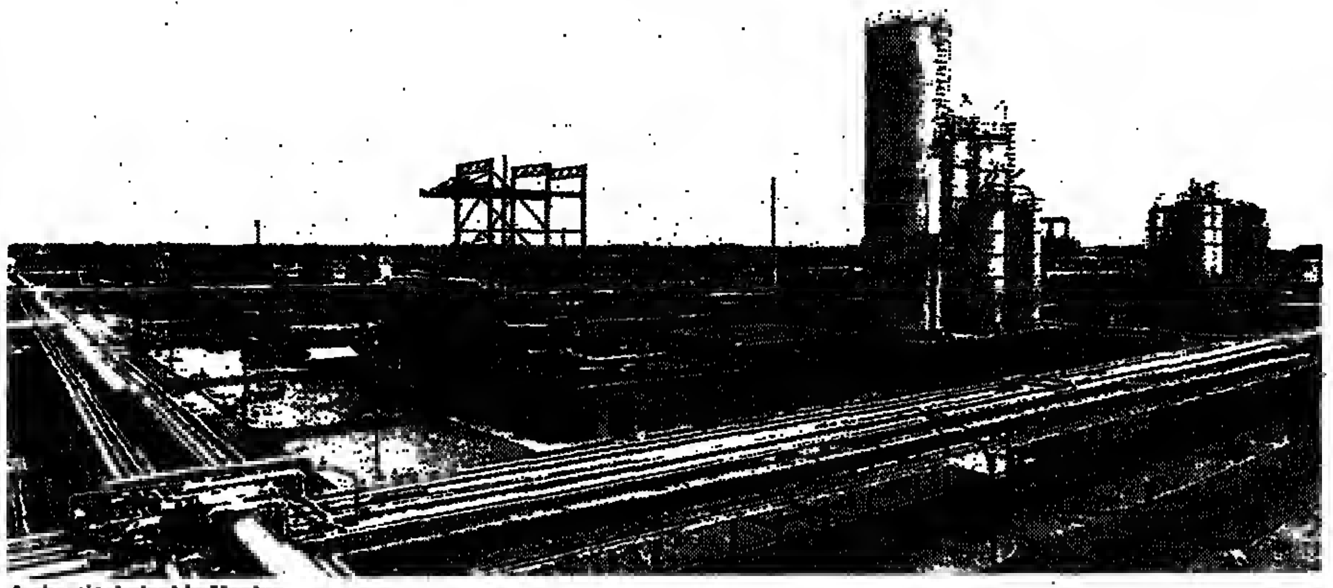
Politicians should be blamed for chemicals' woes

THE ITALIAN chemicals industry lags way behind its principal competitors. While others have already reacted to international overcapacity and the sharp falls in prices in bulk chemicals, the Italians are still at the etage of discussing plans. Indeed, serious doubts surround the industry's ability to carry out the necessary structural reforms to be competitive in the 1990s.

The industry itself and the technicians can hardly be blamed. This sector has long been a source of political patronage and influence, especially in southern Italy, Sardinia and Sicily; and nearly all the industry's problems can be traced to political considerations overriding economic and commercial logic.

This state of affairs has been compounded by tha way in which Italy has concentrated on bulk chemicals and fertilisers which have been most affected by international overcapacity, falling prices and the general downturn in demand both at home and abroad. Fertiliser production in Italy fell 16 per cent last year and looks set to fall by almost the same percentage again this year. In contrast, production of higher valne materials for the pharmaceotical industry is expected to increase 8 per cent. Meanwhila, a significant portion of the mounting chemical products' trade deficit is accounted for by the import of specialist chemicals.

Also, the industry has gone *against international trends* by becoming more rather than less state-controlled, and hy relying heavily on the domestic market for sales and plant location. EniChem, the chemicals arm of the state oil concern, ENI, now in effect controls the industry since last November's purchase of an outstanding 40 per cent in Enimont held by the Ferruzzi group's Montedison.



A chemical plant in Mantua

EniChem depends on the domestic market for 55 per cent of its turnover, double the percentage of other major chemical companies. Tha group has located 80 per cent of its prodnction facilities inside Italy, which again bucks the trend of multinational groups. Not surprisingly, its financial position is more troubled than any of its competitors among the top 15 international chemical groups.

Bulk chemicals and fertilisers have been affected by global overcapacity, falling prices and a downturn in demand

Last year, EniChem lost L88bn and first-half losses this year rose to L209bn. It is the only major chemical group to be in the red. These figures are only in part the consequence of the Gulf War and principally reflect the gronp's delay in restructuring.

EniChem is trying to push through a four-year business plan which involves considerable rationalisation and a return to core business centred on manufacture of prodncts from the petrochemical industry as well as moving into added valne prodncts. The group is also looking for a new international partner or partners which would take advantage of EniChem's enormous polyethylene production facilities (it is Europe's largest producer).

Talks have been going on with Union Carbide on a $1.5bn deal that would permit the latter a foothold in European markets in return for EniChem expanding in the US and gaining *access to new technology* to exploit its own polyethylene prodnction. This is the preferred "in-house" arrangement; bot this path of modernisation is likely to pull EniChem out of the close embrace of the politicians.

Like its parent, ENI, the company has been seen as a fiefdom dominated hy tbe Socialists but with important counter-balance on the board from the Christian Democrats. Thus, there is growing speculation that EniChem might turn to its old protagonist and associate, Montedison (controlled hy the Ferruzzi group) as a partner – the latter having developed exciting, but as yet commercially unproven, technology for the exploitstion of polyethylene.

Under such an arrangement, EniChem would provide the building hlocks and Montedison would produce the finished products. This would retain the *industry in Italian hands and* is favoured by the politicians. Nevertheless, Eni- Chem and Montedison fought a bitter contest to win control of tbeir jointly- controlled chemicals company, Enimont. This ended in November 1990 witb EniChem acquiring Montedison's 40 per cent stake in Enimont and then tendering for the remaining 20 per cent on the open market.

There was controversy over the price paid for Montedison's shares, which was well above the market rate; but the government argued it was a fair premium for a stake of such size. Nevertheless, the deal increased EniChem's debt burden considerably and net debt now stands at over L8,300bn.

The battle was a defeat for the plans of Mr Raul Gardini, the then Ferruzzi boss, to expand his empire. At least in part, Mr Gardini's ront was engineered hy the Andreotti *government* – precisely because the politicians disliked the idea of an independent-minded person in the private sector *controlling such a* key industry linked into profitable ENI which provided the feedstock.

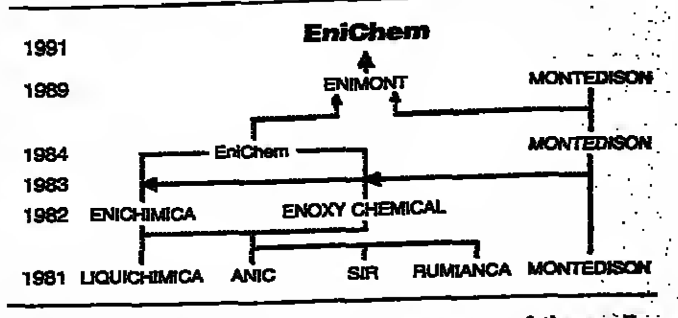
Even tbough Mr Gardini stepped down from Montedison last year, a broader deal to rationalise tbe chemicals industry was complicated so long as he remained at Ferruzzi. *The ousting of Mr Gardini from Ferruzzi in July has* changed the picture completely and encouraged contacts on arrangements with EniChem.

To understand which path EniChem may now follow, account has to be taken of the turbulent history of the industry in Italy over the past two decades. *The petro-chemical* complexes and chemical plant now owned by EniChem often owe little to commercial logic. Sites were chosen because politicians *lobbied hard* and because the state provided generous subsidies for new industry in the south, Sardinia and Sicily, regardless of domestic or international demand.

During the 1970s, a plethora of small plants was established in less-developed parts of Italy which concentrated on relatively low technology bulk chemicals and fertilisers. For a long time, subsidised funds and protected markets tended to conceal operating costs. But by the 1980s it was clear that production costs were too high, compounded by high transport costs since the plants were usually far removed from the principal markets in the north. Becanse of incentives for regional investment, often as many as five different companies ended up possessing similar plants in the same area.

The financial plight of chemical companies including SIR and Anic finally forced a *concentration of the industry in* 1981. In simple terms, the public sector *found itself obliged* to assume the operations of the financially-tronbled private and semi-private groups. The process of concentration was *facilitated* by the *strong cash* flow position of ENI under whose umbrella the initiative took place.

Restructuring of the chemical industry



The number of companies was cut to three by 1983 when ENI and Montedison agreed on the rationalisation of production as well as an ENI-led joint venture with Occidental to provide increased international outlets. Occidental then sold out, leaving EniChem and Montedison in control of the sector through Enimont.

Despite such rationalisation at the company level, little has been done to adjust the structure of plants, production and employment. Indeed, as EniChem's 1991-94 business plan showed, there are some 40 plant sites of which only four employ more than 3,000 persons. The plan envisaged the closure of some of the smaller plants in the south and a permanent cut of 4,800 jobs by 1994 in the 50,000 workforce with additional temporary lay-offs of a similar amount. The sweetener was the promise to invest almost 55 per cent of new investment in the south, Sardinia and Sicily.

For the path EniChem may follow, account must be taken of the industry's turbulent history in the past two decades

Though relatively painless hy the standards of action taken by, say, *Dow Chemical* or ICI, these proposals have provoked a political storm and strong union protest. They *affect the areas of Italy's high*est unemployment and regions with important political patrons at a time when general elections are due next year.

Only in mid-October were doubts removed about the EniChem business plan when agreement was reached with the unions on redundancies and closures. The number of lay-offs was reduced by 450 and the life of two plants in the south was prolonged. But these small changes should be seen in the context of a furtber decline in the economy, while the financial position of EniChem has deteriorated since the plan was announced in April. Overall chemical production is now likely to fall this year by 0.5 per cent and an upswing is unlikely before the middle of 1992.

Prospects for Olivetti look bleak, reports **Haig Simonian**

Champion under pressure

Vittorio Cassoni: "our rivals are doing worse"

WITH A L73.7bn (£33.9m) loss in the first six months of 1991 and the prospect of worse to come before the year-end, the outlook for Olivetti, the champion of Italy's computer industry, looks bleaker than for many years.

Demand for personal computers, Olivetti's mainstay, has declined sharply in the past year. Meanwhile, competition *among leading manufacturers*, which has triggered severe price cuts across the industry, has focused on the group's main markets in western Europe.

Announcing interim results last month, Olivetti emphasised the fact that computer makers had reacted to tougher conditions by approving major restructurings and "engaging in price wars that in some cases involved discounts of up to 40 per cent".

Mr Vittorio Cassoni, Olivetti's chairman, has tried to sound a more optimistic note. Although Olivetti is suffering, the majority of its US and European rivals are doing even worse, he says.

According to Mr Cassoni, group sales this year should maintain the 1990 level of around L9,000bn, implying a slight pick-up in the second half. However, both he and Mr Carlo De Benedetti, Olivetti's chairman, have warned that profitability will remain under severe pressure, and that further re-organisation and cost-cutting will be inevitable.

Olivetti's recipe for returning to profitability involves a mixture of job cuts and higher productivity, including the possibility of shifting some production to cheaper sites abroad. Improved innovation and greater speed in bringing products to the market are also part of its mix.

Speed and innovation have not always been Olivetti's strongest suits. Although senior managers claim to have made progress, the delayed start to *mass production of its* new range of portable and notebook computers, unveiled in Berlin last year, suggests the problem may not yet have *been fully solved*. The new models are now scheduled to reach the shops in quantity by the end of the year – three months behind schedule – by which time monthly production should be up to the 15,000 unit target figure.

In other cases, Olivetti's hands are tied by external forces, notably the need for political approval. Take its attempt to slim the workforce. Agreement was reached in January with unions and the government to reduce numbers by 3,500 this year through 3,000 early retirements and alternative public sector jobs for a further 500 employees.

Despite the agreement and the publication of a special law to that effect in June, Olivetti, like other big Italian private sector companies, is still *waiting for the precise criteria* for the early retirement scheme to be set by a special ministerial committee before it can come into operation. In the meantine, the workers concerned remain on the payroll.

Shifting some production to cheaper locations such as Singapore or Mexico, where Olivetti already has facilities, may also create a political backlash. The suggestion, made by Mr De Benedetti at the group's annual general meeting earlier this year, was greeted with howls of protests by politicians and trade unionists alike.

No more has been heard of it since, and a company spokesman confirms that a "strategic decision" has not yet been taken. Should it come, the group could find itself with a fight on its hands.

Olivetti's predicament highlights the need for Italian private industry to maintain a close relationship with the government, particularly when times are hard. It is no surprise, therefore, that much of the company's current efforts are being directed towards persuading ministers and state-owned companies to adopt a more nationalistic policy towards *purchasing in information technology.*

Also part of Olivetti's current strategy is greater internationalisation

Many Olivetti executives complain that the Italian public sector has not followed the example of its counterparts in France and Germany, where *domestic information technol*ogy groups can rely on a steady flow of big public sector orders, according to the company.

The message may have been received. Earlier this month, the Italian post office awarded Olivetti an order for 2,800 workstations for the gradual *automation of counter services.* But senior Olivetti staff say the company needs many more such deals before it can count on the same strong order base *as rivals like Bull in France* or Siemens-Nixdorf in Germany.

In the meantime, the group is looking at possible collaborative ventures to spread the costs of developing new products and improve its competitiveness.

One such area is software and services, where margins remain relatively high compared with the pounding now being felt in mainstream computer manufacturing.

Olivetti has denied recent rumours that it is in talks with Finsiel, the software subsidiary of the IRI state holding company. However, it has sent plenty of signals that it would not be averse to talks between Finsiel and Olivetti Information Services (OIS), its software subsidiary.

Olivetti's Scarmagno personal computer factory

Alan Harper

Finsiel is bigger than OIS and is the main agent for the *Italian public sector in software* development. Olivetti's bosses probably view a link with Finsiel as a useful step in improving their chances of *winning big projects to restruc*ture and modernise the Italian state sector.

Greater internationalisation is also part of Olivetti's current *strategy. Earlier this year, the* company turned down the chance to buy into SMT-Goupil, the bankrupt French personal computers group.

However, *it is currently fol*lowing up another French initiative. Olivetti has confirmed talks with France Telecom, the French telecommunications group, on selling a stake in its Olinet added value networking subsidiary.

With sales of just L2bn last *year, Olinet is only a minnow* compared with a whale like France Telecom. But its expertise in building *private data* networks for big companies *may make* it an attractive appetizer for the French, who are keen to expand across Europe.

The problems facing European computer makers, and the recognition that they must team up to fight off US and Japanese competition on big projects, lie behind recent discussions between Olivetti, Bull and Siemens-Nixdorf on an "understanding" to collaborate on big new European information technology ventures.

Loosely called the "European nervous system", such projects involve the sort of big information technology projects which *will be increasingly necessary* as political co-operation between European Community *states improves. Such schemes* could include data networks designed to track immigration across the EC, or a Community-wide health care system.

The fact that even bitter European rivals are now more willing to consider collaborating shows just how deeply the world computer industry is suffering now. Although Olivetti is losing less money than some of its counterparts, its hope is that such ventures will accelerate a recovery.

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The white goods sector is among Italy's biggest success stories. Despite a setback, it expects great things of the late 1990s

The 'Made in Italy' tag in the European kitchen

NEARLY 1m large household electrical appliances will leave the showrooms and stockrooms of electricity companies, chain stores and other retail outlets in the high streets of western European towns and cities next week. About 400,000 will have come from Italian factories.

As housewives and their husbands will have discovered when making their choice of refrigerator, dishwasher, washing machine or dryer, the "Made in Italy" tag is an ever-present feature in this sector of consumer durables.

"About 40 per cent of European production is Italian," says Mr Vittorio Merloni, chairman of Merloni Elettrodomestici, whose brands include Ariston, Indesit and Colston. "Italy became Europe's biggest manufacturer in the 1960s and continues to hold the leadership."

"Everyone says that low Italian labour costs were the reason for our success in selling white goods abroad. For years industries in other countries complained that we were dumping. Indeed, in 1975 Britain's industry minister levelled this accusation against me. Italian production costs were about 30 per cent below competitors. But we did not sell below cost. Italy's white goods makers were profitable," explains Mr Merloni.

However, the significant competitive edge on labour costs was not the only factor in propelling Italian white goods to the forefront of the European industry.

Mr Merloni says that the main reason for Italy's success can be found in the creativity and flair of the protagonists who built the industry in the 1950s and 1960s.

Vittorio Merloni: expects the process of concentration in Europe will continue

"In contrast to the other main European countries, where white goods makers were owned by financial gronps or were divisions of large corporations, personalities and their individualism were the driving force in Italy. Guido Borghi, who founded Ignis, was an inventor and was the pioneer of the use of polyurethane.

"The Fumagalli brothers at Candy were also technologically innovative. Lino Zanussi was a technocrat, the first to understand the need for mass production and to create large-scale operations," says Mr Merloni.

His firm was part of a second generation that entered the white goods sector towards the end of the boom. The other important player to enter the scene during the 1960s was Indesit. "It produced 5m units a year at its peak, but collapsed in the 1980s," says Mr Merloni, whose firm acquired Indesit four years ago.

Merloni Elettrodomestici's acquisition of Indesit from the official receiver in late 1987, to make it tha largest Italian-owned company in the industry, was one of several operetlons that has reshaped the white goods sector. Three years earlier Sweden's Electrolux acquired control of Zanussi, after the Italian firm had run into difficulties.

"The struggle for supremacy has been waged in Italy. Electrolux became Europe's largest white goods maker when it acquired Zanussi. And Whirlpool reached the world number one ranking by buying Philips-Ignis," says Mr Merloni. He expects that the process of concentration in Europe will continue. "Last year 15 groups had 90 per cent of the market. Four or five groups will share 90 per cent of the business at the end of the century," he predicts.

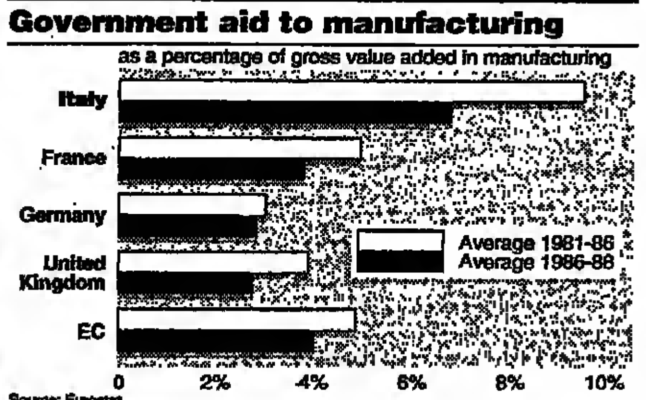
Italy still keeps an edge over the competition in what Mr Merloni describes as a dramatic struggle, though the advantage has been reduced. "The gap between Italy and the rest of Europe in terms of production efficiency was anormous in the 1970s. But others have caught up during the past 20 years. There has also been a decline in the creative edge, but much less.

Mr Merloni says that the main reason for Italy's success can be found in the creativity and flair of the protagonists who built the industry in the 1950s and 1960s

"Italian success forced everyone to see that elegance in design is a crucial factor. Now all white goods makers have their own designers. Open System Ariston has influenced designers for the past decade, and the completely white 'Margberita' range continues to be fashionable seven years after its launch."

The visual appeal of Italian appliances and their highly competitive prices explain a ratio of exports to imports that over recent years has consistently been just over 4 to 1. Exports last year totalled L5,927bn while imports were L1,446bn. Italian manufacturers' total sales amounted to L8,270bn, so exports represented nearly three-quarters of turnover.

Government aid to manufacturing



Source: Eurostat

However, design and price are not enough on their own. "The consumer is looking for functionality and reliability. Ease of operation is fundamental, and so also is a choice of materials that combines design and performance," notes Mr Merloni.

He says that consumer attitudes towards their large domestic appliances have changed considerably over recent years. "The consumer recognises that what be buys will have a life of between seven and 10 years, and he is happy to change after this period. Bnt in the meantime he will not accept the inconvenience and cost of calling the maintenance man. This has led to a well-defined design approach that builds specific reliability into products."

The application of such concepts shows tha greater sophistication in design, production and management in the Italian white goods sector. And the individual entrepreneur can only play a small role in the complexity of decision-making today, as the reshaping of the industry underlined during the 1980s. "Individualism counted before; now the business is a team affair," comments Mr Merloni.

And the teams that are currently engaged in running the companies that comprise Italy's white goods sector face a tough task. Concentration has not improved corporate bottom lines. Indeed, profits have dropped.

"Prices have not kept pace with inflation. Manufacturers have been willing to sacrifice price in order to keep market share. Another factor has been concentration in the retail sector. The bargaining power of retailers has increased and this has limited the possibility of recovering manufacturing cost increases through price rises."

"He will not accept the inconvenience and cost of calling the maintenance man"

Mr Merloni expects that the situation will become even harder in the next two to three years, with thin margins being trimmed still further. However, he believes that great opportunities will arise in the second half of the 1990s.

"Manufacturers have been willing to sacrifice price in order to keep market share"

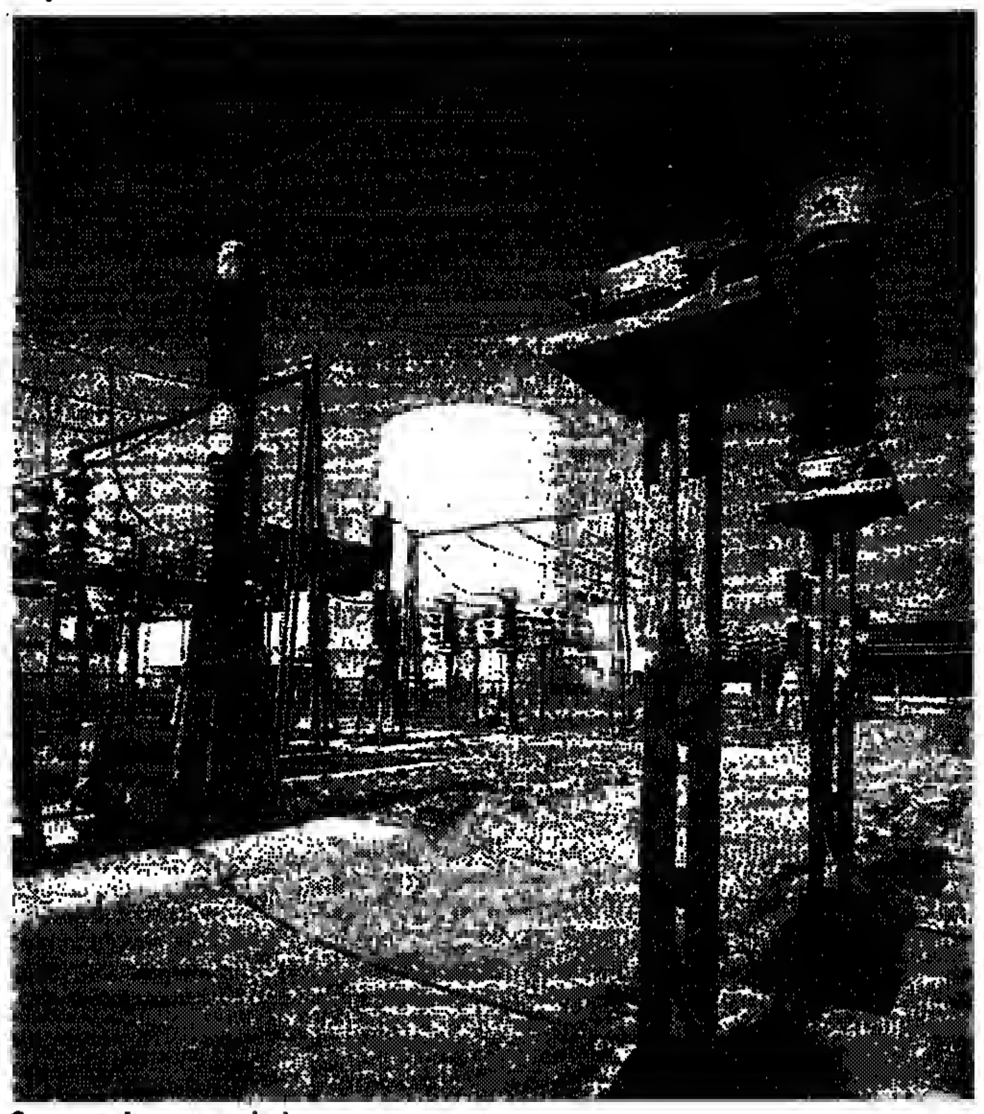
"Western Europe's 340m inhabitants bought 41m large appliances last year, whila eastern Europe's 450m bought only 25m. In the next five to 10 years the total European market will be between 80m and 90m appliances," forecasts Mr Merloni.

Italy's white goods makers have already sold more than ½m appliances to former eastern bloc countries, either directly or through German brands or distributors. Mr Merloni believes that the Italian industry is well-placed to benefit from the development of these economies.

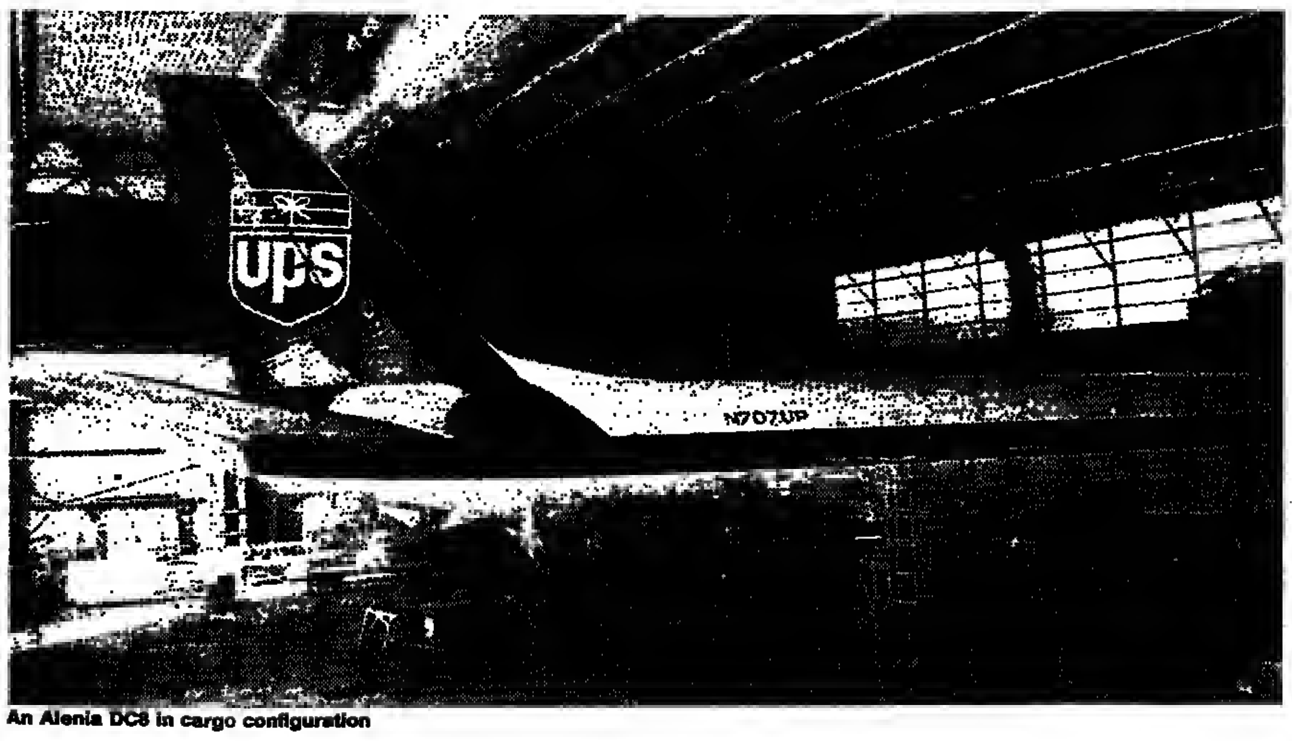
When this happens, continental consumption and production figures are likely to show an even greater imbalance in Italy's favour. Last year sales of white goods in Italy, excluding microwave ovens, totalled just 6m. This figure was significantly lower than Germany, with nearly 10m, France and Britain, and represented less than 15 per cent of the total western European market. Yet Italy makes 40 per cent of total production.

In spite of the difficult times that it is facing, the Italian white goods industry is strongly placed. Past achievement suggests that it will continue to be a formidable performer in tha future.

David Lane



Caorso nuclear power plant



An Alenia DC8 in cargo configuration

Alenia is Italy's biggest aircraft and defence electronics group

A finger in every pie

DUBBED "the mercenary" of international aerospace by its critics, Alenia, Italy's leading aircraft and defence electronics group, has certainly shown an ability to keep a finger in virtually every big world aerospace pie.

Formed last December from the merger of the Selenia electronics and Aeritalia aircraft subsidiaries of the IRI state holding company, Alenia collaborates in some form or another with almost all the world's big aircraft makers.

It is a major sub-contractor for Boeing's 767 airliner and for the new 777, while also working closely with McDonnell Douglas on the MD11 and MD80. In Europe, it has gradually grown closer to the Airbus consortium, to which it is to supply fuselage parts for the new A321.

Meanwhile, it is partnered with Aerospatiale of France and Dasa of Germany on developing a new regional jet, to seat between 100 and 130, and is one of the participants in the new European Fighter Aircraft (EFA) consortium.

However, it is Alenia's links with Aerospatiale in the ATR regional turbo-prop joint venture which has been absorbing most of its attention of late. It has been stung hy the decision of Sir Leon Brittan, the European Commissioner responsible for competition policy, to block the planned Franco-Italian takeover of de Havilland of Canada.

Alenia'e biggest venture since its creation now looks distinctly grouuded. The purcbase of de Havilland, which is owned by Boeing, was a vital step in the ATR partners' plans to build their market share for small turboprop aircraft. Althougb the ATR 42 and the ATR 72 – the two models in the range – have won 399 orders and 120 options, industry sources say they are being sold at a considerable loss.

Alenia has been stung by the decision of Sir Leon Brittan, the European Commissioner for competition policy, to block the Franco-Italian takeover of de Havilland of Canada

Alenia denies the claim, and presents the ATR project as one of its biggest soccesses. However, the insistence of the reports, coupled with the de Havilland disappointment, has left it visibly on the defensive.

Its position has been further weakened by declining profitability and persisteut criticisms that the Selenia-Aeritalia merger has not been pushed through rigorously, with duplication at all levels. Significantly, the payroll has edged up, rather than down.

An Alenia spokesman admits the merger is by no means complete on the operational level and further work is still required to develop savings and synergies within the group. However, Alenia maintains that, at senior management level, the benefits of the match are already evident.

The need for financial stringency has grown this year as a result of the sharp decline in defeuce orders which Alenia has experienced in line with most other big aerospace and defence electronics groups.

Net profits at pareut company level in 1990 slumped to L30.3hu (£13.9m) from L56.1bn in 1989, despite a surge in sales to L3,703bu from L2,564bn. As a result, Alenia'e dividend of L90 a share represented a cut of almost 50 per cent compared with that paid by Aeritalia in 1989.

Matters worsened in the first six months of this year, when gross earnings at parent company level amounted to just L10bn. Sales, measured by value of production, amounted to L2,650bn in the first half and ehould be around L5,000bn for the full year.

Alenia blamed the decline on the continuing drop in defence orders and the slower growth for civil airline and space projects, as well as delays in receiving the go-ahead for some civil business.

Military projects remain at the heart of its problems as orders shrink under declining defence budgets. Funding difficulties for the Italian air force have put a ceiling on the number of Tornado jets being purchased, and there are doubts about how many AMX light attack aircraft will he bought from the partnership between Alenia and Embraer of Brazil.

Prospects for the EFA are also unclear. Although urgently ueeded by the Italian Air Force to replace ageing equipment, douhts remain about the future of the project itself, let alone how many aircraft the italians might buy.

Uutil recently, a similar situation faced Agusta, Italy's other big aerospace concern. The main venture for the company, which is part of the EFIM state holding concern, is the EH101 helicopter, being produced in collaboration with Westland of the UK.

The project has been beset by delays on the British side and spending worries among the Italians. However, some of the problems have recently beeu lifted following last month's announcement by the British Navy of an order for 44 helicopters, and the expectatiou that a memorandum of understanding on financing for the project should be signed by the end of this month.

Thet should be followed by a further memorandum of understanding in November, which will open the way for full-scale production of the EH101. In the meantime, the italian Navy is expected to order 30 to 36 units, while Canada should take 50 units. And once the formal commitment production of the EH101, couceived as a naval belicopter, is made, the partners can turn their attentiou to poteutially lucrative civilian variants.

There are a uumber of other bright spots on the aerospace scene. Electronics in particular, concentrated in the former Selenia group, coutinues to flourish.

Significant orders this year have included a $90m contract to supply radar equipment for air traffic control in the Soviet Union. The deal, awarded to the Buran consortium in which Alenia has a 49 per cent stake alongside various Soviet groups, could eventually involve updating air traffic control facilities across much of the country with a potential value of up to $2.4bn.

And Alenia's standing in electronics hardly suffered earlier this year when it slipped out that the portable landing radar used both by US President George Bush and Soviet leader Mikhail Gorbachev was


Fausto Cereti, Alenia's chairman

Alenia-made.

The group has also expanded its activities on the space side. Combined with Aerospatiale and Alcatel Espace of France, it spent $182m earlier this year on a 49 per cent stake in Space Systems/Loral, the satellites business controlled by Loral, the US defence electronics group.

Together, the four partners will form one of the world's biggest civil communications and weather satellite operations, with 7,800 employees and joint sales of $1.5bn.

The deal should help the European companies provide turnkey communications packages, which will be able to provide customers with satellites, control units, earth stations and related services.

There have even been some prestige points on the aircraft side, notably the first delivery of 10 G222 transport planes to the US Air Force. The order is part of a multi-year contract covering 10 aircraft, further options, training and maintenance.

Alenia has consolidated its position in the US by buying the remaining 40 per cent share in Dee Howard, the Texas-based aircraft couverting and refitting specialist it already controlled. The company is currently engaged in a major contract to re-equip 40 Boeing 727 jets for the UPS parcels and delivery group and hae another UPS order to update DC8 cockpits.

In common with some other Italian state industries, Alenia's main problem remains its appareut reluctance – or inability – to rationalise. Such a strategy, desirable after any merger, has become all the more pressing given the continuing downturn on the military side.

The problem is its apparent reluctance – or inability – to rationalise

Instead, Alenia'e priority still seems to be gaining business, from whatever quarter, with profitability not always the most obvious determinant. And although the group's mainstream aubcontracting work on the aircraft side at its plants around Naples remains highly competent, it is hardly at the leading edge of world aerospace. But better to have work, and keep the plants occnpied, rather than lying idle, is probably Alenia's maxim.

Haig Simonian


The 79,000 sq metre plant at Treviglio can produce up to 170 diesel engines every day

FINANCIAL TIMES SURVEY

SOUTH KOREAN FINANCIAL MARKETS

SECTION IV

Tuesday October 29 1991

There is a consensus in South Korea on the need for financial reform but much less agreement on the means and pace of change. Plans issued by the government reflect a fear of the destabilising effects that financial deregulation may bring to the economy. **John Ridding** reports

Pressing need for changes

IN the quiet hills of Kwachon on the outskirts of Seoul, home to South Korea's economic ministries, bureaucrats hava been drawing up plans to reform the country's ossified financial system.

From the freeing of interest rates to the easing of controls on foreign exchange flows – and from the opening of the stock market to the liberalisation of the securities industry – a flurry of proposals have emerged from the ministry buildings over the past few months.

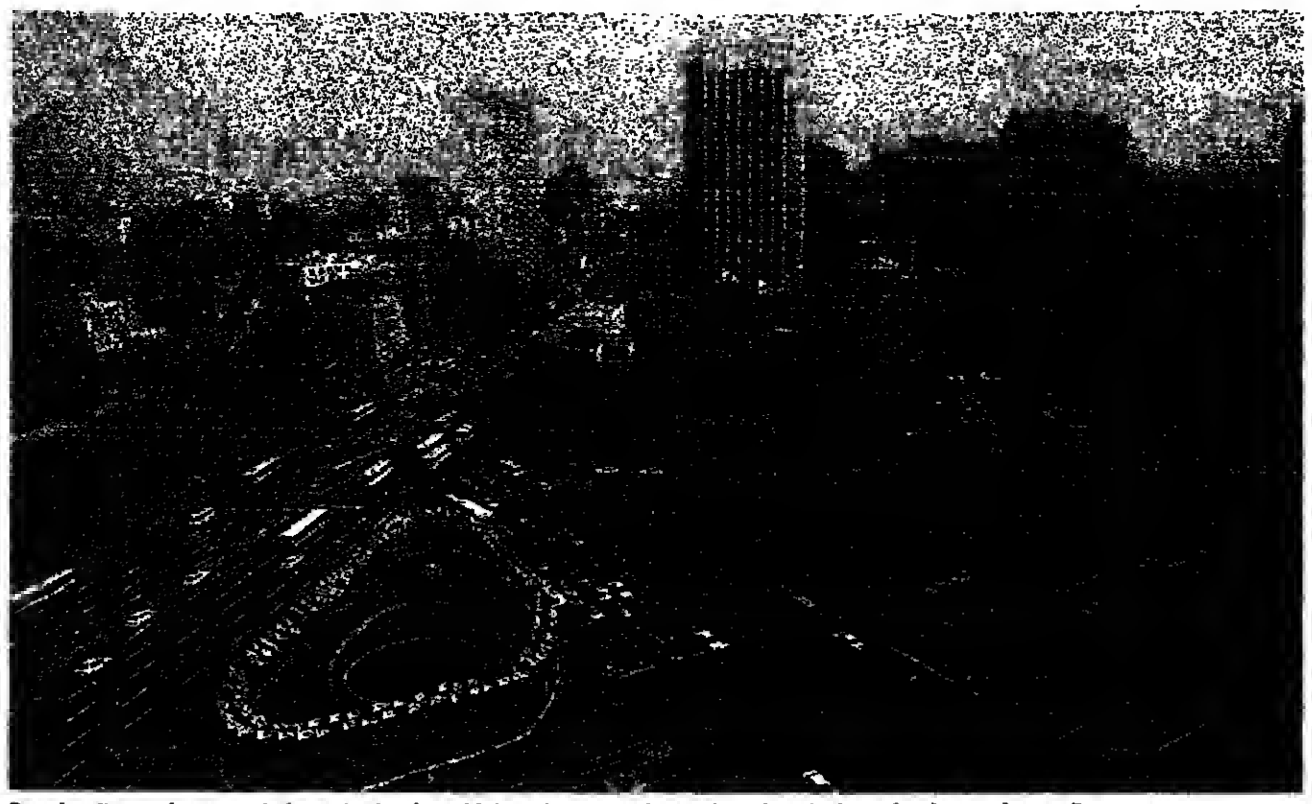
Snch activity reflacts a pressing need for change. While the country's manufacturing sector has grown by leaps and bounds to propel Korea to the ranks of the industrialised world and tha status of 12th largest trading nation, its financial markets, stifled by government control and regulation, remain underdeveloped.

But while there is a consensus on the need for financial reform, there is much less agreement on the means and speed of change. The various plans issued by the Korean government reveal a cautious, step-by-step approach to reform. They reflect a fear of the destabilising effects that financial deregulation may bring to the Korean economy.

"We have to reduce as much as possible the shock to the economy" says Mr Rhee Yong Man, South Korea's finance minister. He argues that the damaging side-effects of liberalisation, which have followed financial reforms elsewhere, from Japan to the US and Latin America, necessitate a gradual approach.

But trading partners, in particular the US, have attacked the pace of reform. "South Korea clearly lags behind the international consensus on the liberalisation of financial services," said Mr Olin Wethington, assistant US treasury secretary, on a visit to Seoul in September. As a result, financial issues have come to dominate the list of trade disputes between the two countries.

Even within the South Korean government and industrial circles, there are advocates of more rapid change. The EPB, the top economics ministry, has championed a faster approach to interest rate deregulation. Several senior businessmen including Mr Kim Mahn Jae, chairman of Samsung Lifa Insurance, one of Korea's biggest companies and finance minister in the 1980s, believe that market forces will themselves lead to an acceleration of the process of reform and force the government's hand.



Seoul: a flurry of proposals from the freeing of interest rates to the easing of controls on foreign exchange flows

The need for financial reform springs from several sources. *Most fundamentally*, the Korean economy has outgrown the system of credit control and government allocation of financial resources which have characterised its post-war industrial policies.

The economy is now too complex to be directed hy bureaucrats supplying subsidised loans to selected strategic industries. More efficient and more equitable allocation of funds requires an increased rola for market forces.

The marginal cost of capital, particularly for small and medium-sized companies, is one of the highest in the industrialised world. Nominal market interest rates of 20 per cent and real interest rates of about 10 per cent reflect, in part, the inefficiencies of Korea's financial intermediation.

Without reform, the government may also find itself losing control of the money supply. The falling share of total deposits held by the 11 nationwide commercial banks – the traditional mechanism for the government's direct credit control – makes the current interventionist approsch much more difficult.

As a result, there is a need to increase the role of open market operations, discount rates and other tools of indirect monetary control. Bnt the institutions necessary for this shift, in particular the government bond market, are emasculated. They will remain so until interest rate controls are dismantled.

But perhaps the most pressing reason for financial reform lies in the internationalisation of the Korean economy. Increased capital flows in and out of Korea, resulting from increased trade and greater participation in international money markets, require eased controls on foreign exchange. Withont liberalised interest rates, such an easing would hring impossihle problems of monetary control.

At the corporate level, too, there are pressures for liberalisation. Foreign financial institutions are pressing for increased access to Korea's potentially locrative banking and securities markets. To *ready their cossetted institutions* for the foreign onslaught and to prepare Korea's own companies for expansion overseas, the Korean government is looking to deregulation and increased competition as a means to enhance efficiency.

Bnt despite this host of imperatives for reform, there are a series of obstacles and concerns which have hitherto stayed the government's hand and which continue to slow the process of change.

On one hand, the government argues that the country's *economic difficulties* demand caution. In particular, it cites a rate of inflation which is nearing double digits and the high cost of capital.

"The chronic excess demand for money in Korea means that speedy deregulation would cause higher interest rates and create cost-push inflation" says Minister Rhee. It would also raise *financing costs for* Korean industry at a time of significant capital expansion. This *latter factor* has ensured that the chaebol – tha powarful conglomerates which dominate *the economy* – are seeking to slow the process of reform.

At the same time, there are fears that Korean financial institutions will suffer as a result of market deregulation. In particular, the commercial banks, which have traditionally acted as passive conduits for government credit and which are saddled with inefficient management systems and non-performing assets, will find it harder to cope in a more competitive environment.

These concerns are evident in the various plans announced *by the Ministry of Finance*. Tha process of interest rate deregnlation, cornerstone of financial reform, has been staggered over a seven-year period with loans to be freed before deposits and long-term rates before short-term ones.

"Wa have to take into account tha profitability of financial institutions and prevent the *phenomenon of funds* becoming very short term," says Mr Oum Bong Sung, counsellor to the minister of finance.

Similar caution is reflected in plans to open the stock market to foreign investment. Under the terms of a schedule announced in September, foreigners will be restricted to owning a maximum of 10 per cent of the shares of companies quoted on the Korean stock exchange.

Such a cautious approach *has raised a series of concerns* from trading partners and from members of Korea's financial community. They question the wisdom of a staggered process of reform because it will introduce a series of further distortions into the economy.

More fundamentally, they question tha Korean government's commitment to reform. *After all, economic officials* say that the current economic environment – with rising inflation and a ballooning trade deficit – is even worse than in 1989 when a previous attempt to liberalise interest rates was aborted.

But tha government rejects such thinking. "Wa are past the point of no return" says Mr Kim Kun, governor of the Bank of Korea. According to Mr Rhee: "The deregulation of interest rates may be accelerated dapending on economic conditions. But there is no possibility that it will be prolonged."

In practice, however, the government may find that the process of financial reform takes on a momentum of its own. "I believe that liberalisation will come faster than anyone expected," says Mr Kim of Samsung Life.

He argues that the freeing of long-term interest rates first and the creation of a large interest rate differential between the short- and long-term money markets will canse a flow of funds to the *latter*. With the *freeing* of interest rates on CDs and debentures earlier this year, tha process has already started.

In snch a situation, the financial authorities could be forced to accelerate the freeing of short-term rates ahead of schedule. As ever in Korea, change may come more rapidly *than expected*.

IN THIS SURVEY

Bank of Korea: reluctant to lift ceilings on CD issues by foreign banks: **Page 2**

SOUTH KOREAN FINANCIAL MARKETS 2

■ FOREIGN BANKS

Battering rams poised

FOREIGN banks are rarely ever so foreign as they often seem in Seoul. Korea welcomed them initially as providers of foreign capital and they earned easy profits while helping to finance Korea's chronic current account deficit in the 1970s and early 1980s.

Yet after Korea's current account swung suddenly into the black in 1986, the foreign banks equally suddenly found themselves without a clear role to play, locked on the periphery of mainstream banking in Korea while struggling to find a way in. This peripheral status has not been helped by the subsequent plunge of Korea's current account into the red: Korea has other ways to raise foreign exchange and its net deht amounts now to just 4 per cent of GNP, compared to 39 per cent in 1985.

The result is a lot of dissatisfied foreign bankers, sitting on the edge of a potentially great market yet unable to expand their businesses rapidly. Korea often appears to take steps to keep foreign banks just barely alive in Seoul only in response to heavy-handed pressure from the US and the EC to be nice to its banks.

The Korean press is quick to point out that Seoul's 52 foreign banks are obviously privileged and therefore have no grounds for complaint, since they finish each year with rates of return on capital and assets that dwarf the average, although not the best, Korean commercial banks. Last year, foreign banks earned an average return on assets of 1.83 per cent, compared to 0.69 per cent for Korea's nationwide commercial banks.

Economic nationalism may lie behind the restrictions that the Korean government has placed on foreign banks, which make it difficult to raise local won currency. Yet the deeper problem is that foreign banks are free market animals trying to enter a market that is heavily regulated. Their competitors in that market, the big Korean commercial banks, have been crippled financially and managerially by decades of government domination.

For this reason, foreign banks, and their home governments, are also the biggest proponents of financial liberalisation for all. A deregulated market would level the field and remove underlying reasons for restricting foreigners.

Foreign banks built up their Korean business initially on the basis of dollar-won currency swaps, under which the Korean government provided won while guaranteeing an exchange rate and a fixed margin. It was an easy way to make money, especially since the Korean government bailed out the foreign banks when the occasional borrower went bust. The provision of won loans to cash-hungry Korean companies brought customers through the door who also needed foreign exchange and trade financing services, sometimes enabling the banks to book bigger profits offshore, where tax rates were lower.

After the Korean government adopted the principle of national treatment for foreign banks in 1984, however, the swap ceiling, and therefore easy access to local currency, was progressively cut back. At the same time other opportunities to raise won on a large scale were heavily restricted, in effect putting a squeeze on the banks. The restricted access to won also squeezed the local operations of foreign companies who needed working capital. Korean banks would not lend to them because even big international companies had no credit rating in Korea.

The foreign banks, supported by their governments, are now aiming their battering rams at several key points:

● Certificates of Deposit: Negotiable CDs have saved the foreign banking sector by allowing them to raise money at competitive rates since the instruments were authorised in 1986. Ceilings on the issue of CDs by foreign banks have been progressively raised, in tangent with ceilings imposed on domestic banks, and was this month lifted to 200 per cent of capital from 175 per cent.

The Bank of Korea is reluctant to lift the ceiling further in isolation of other reforms, because CDs undermine the controlled interest rate structure. Korean commercial banks are forced to pay market rates to issue CDs, while many of their loans are issued at below market, controlled rates.

● Call Market: Foreign banks are last in the queue to borrow money on Korea's interbank market, and they pay interest rates that are anywhere from two to five percentage points higher then their Korean counterparts. Most bankers no longer believe this discrimination results from central bank "window guidance" but is rather a result of collusion among Korean hanks. The government confirms this.

Mr Kang Man-soo, director-general of the international bureau at the Finance Ministry, says the ministry is committed in principle to providing equal access to foreign banks, but he also points to anomalies that will prevent the market from functioning properly.

Because the Korean banks lend at controlled rates, effectively 15 per cent, he says, they cannot afford to pay as much as foreign banks, which lend at an effective rate of closer to 20 per cent. If allocated by price alone, all funds would flow to the foreign banks and domestic banks would be left with nothing. It is therefore perfectly rational, and not simply anti-foreign, for domestic banks to act as a cartel and keep funds to themselves. Only if interest rates ceased to be controlled would an equitable solution likely be reached.

● Branching: Citibank is proceeding aggressively to establish a chain of retail branches in spite of a nettlesome and costly requirement that it bring Y3bn of fresh capital into the country for each new hranch, a requirement not applied to Korean banks. Citibank has established nine branches so far, and is expected to turn a profit for the first time this year. It's medium-term goal is to establish a network of 25 branches. Korea, however, seems to bave accepted Citibank as a legitimate competitor and licencing and other procedures for new hranches are easier than before.

● ATM Access: Citibank has been denied access to the nationwide antomatic teller machine network, which would allow Citihank customers to withdraw money from casb machines anywhere in the country, just like Korean commercial bank customers. The Korean banks are understandably, if unforgiveably, reluctant to allow access to its cash distribution system to a competitor who does not suffer under the same type of government regulation. This would make it even easier for Citibank to attract customers with its more flexible product mix, generally higher interest rates, more efficient service, and easier access to credit for some of its customers. The Ministry of Finance is arranging talks between foreign banks and Korean banks to work out a solution.

Do not, however, hold your breath. Mr Kang says the foreign banks can play an important role in Korea by introducing modern methods of financial and risk management. Yet true national treatment for foreign banks will likely have to await the liberalisation of interest rates and other banking reforms.

Steven Butler

Foreign banks: share of Korean banking business (%)

	1986	1987	1988	1989	1990	June, 1991
Total assets	6.9	7.7	6.4	5.7	5.2	6.0
Total loans	10.9	10.2	8.5	6.8	6.0	6.6
Total deposits	1.7	1.5	1.1	0.9	1.0	0.9
Return on assets	1.19	1.42	1.8	1.83	1.39	-
Av. return big 5 Korean banks	0.15	0.16	0.38	0.79	0.68	-
Net earnings (units won 100m)	801	1,068	1,386	1,434	1,326	-

Source: Ministry of Finance

■ INTEREST RATES

Intense debate still rages

GOVERNMENT fixing of bank interest rates at unrealistically low levels is a key reason for the backwardness of Korea's financial system. And, as a matter of course, decontrolling interest rates is prerequisite to significant financial reform.

In small ways the process has already started. Yet even though a four-stage liberalisation plan has been announced, the debate still rages over the pace and direction of the strategy, over whether any significant liberalisation will take place at all, or wbether the government will in the end lose control and be overwhelmed by market forces.

The dehate is intense because, if mishandled, interest rate decontrol could bring utter chaos to financial markets and destabilise the banking system. The reforms would also mark a shift in development strategy. Korea's rapid economic growth has been underpinned hy a controlled financial system in which the government channeled foreign and domestic savings through government-owned commercial banks (later privatised), lending at below-market rates to strategic industries.

The Korean government, however, is being led inevitably towards liberalisation for three reasons:

● The central bank's traditional methods of direct control of the money supply through commercial banks is becoming less and less effective as the financial savings of individual Koreans increase.

Funds would become far more widely available

The commercial banks' share of tbe deposit market has fallen from about 60 per cent a decade ago to 35 per cent today as savings have drifted steadily into higher-interest, short-term savings instruments offered by a range of financial intermediaries from sbort-term finance companies to life insurance companies.

"It is market forces, not the government, which is driving deregulation," says Mr Choi Buhm-soo, an economist at the Korea Development Institute. "If the government postpones liberalisation of the banks, they eventually will be unable to control anything."

Liberalising bank interest rates would allow savings to flow back into the banking system, although bank margins would decline and the government would also have to develop mechanisms to control the money supply by influencing market rates.

● The inefficiencies of resource allocation, and the management of tbe financial system, are becoming more apparent. The government must now allocate credit to small and medium companies by qnota, while about three-quarters of Korea's 120,000 small and medium companies have no access to bank credit at all. Large manufacturing companies, which have much easier access to foreign and domestic capital markets, take the lion's share of cheap bank funds. In a liberalised environment, bank interest rates could be expected to rise, but funds would become more widely available. Banking practices would also have to change if a market-efficient allocation were to be achieved.

● Korea's trade partners are applying ever greater pressure to liberalise the market in order to promote opportunities for their own financial and non-financial companies. The US and the EC have expressed dissatisfaction with the pace of reform. Among other difficulties, the current system has made it difficult for foreign banks and other companies to gain access to local currency.

The pessimists about reform, the ones who see nothing happening, are mainly foreigners.

Foreign banks were able to escape the controls

They are pessimistic because reforms are opposed by hig manufacturers who would see the cost of financing rise at a time when they are making heavy capital investments aimed at saving labour. Fear of harming Korea's export potential could stay the hand of the government, as it did in 1988. At that time, bank lending rates were nominally decontrolled, but the central bank reimposed controls through window guidance when rates began to go up. Foreign banks, happily enough, were able to escape the controls.

Today, with Korea's current account soaring, inflation close to 10 per cent, and interest rates already high, many argue that the economic preconditions could hardly be worse. With two national elections coming up next year, the argument runs, the government will be loath to try anything that could cause instability.

Government officials, including Mr Rhee Yong-man, minister of finance, and Mr Kim Kun, central bank governor, however, insist the government is committed to liberalisation on its announced timetable or even faster. "Yon cannot go back," says Mr Kim.

Government plans to ease the pain hy introducing changes gradually. Proponents of a simultaneous liberalisation for all rates lost the argument to those who wanted slow, conservative management. The government's cantion has prompted some critics to charge that nothing will happen, although officials deny this.

The government studied the experience of Japan and the US and adopted several principles: long-term rates are to be decontrolled before short-term rates, and lending rates before deposit rates.

The initial rise of lending rates is expected to be moderated because banks will still have a low-cost funding base. At the same time, bank margins should rise initially, allowing the banks to be strengthed as they face the shock of further change.

By the middle of next year, certain loan rates, long-term deposit rates and certificates of deposit are to be decontrolled. By the end of 1993, all bank loan rates and corporate bonds will be freed. By 1996, government-financed loans, all deposits other than demand deposits, and bank debentures are to be liberalised. Eventually, demand deposits and all government bonds will freed.

The second phase, critical because the bulk of loans will be decontrolled, is to be predicated on lower inflation, improved balance of payments, decreased expected returns on alternate investments, and improved ability by the government to manage interest rates indirectly.

This sounds like an impossible menu to sceptics. Yet there is a strong body of opinion which believes the government has already lost control over the pace of reform, and that the entire process of liberalisation will be completed in far less time than the six years currently envisioned.

Mr Kim Mahn-je, chairman of Samsung Life and a former deputy prime minister and finance minister during the 1980s, brushes aside the argument that the economic conditions are not yet ripe for change.

"For financial liberalisation there is no good time," he says. "My prediction is that interest rate liberalisation will proceed much faster than what the government has announced."

He reasons that, compared to Japan or the US, the interest rate spreads in Korea are far greater – 10 per cent (or zero inflation adjusted) for most deposits, compared to 20 per cent on the call market, and higher in the private loan market.

As long-term deposit rates are decontrolled by next summer, he predicts a huge shift of money into these accounts that will drain the commercial banks of low-cost funding. In order to put short-term funds back into the banking system, the central hank would be faced with the alternatives of either pumping money out through its discount window, or moving rapidly to decontrol short-term rates as well. Given the inflationary impact of putting cheap money through the system, in reality the central bank would have no choice but to decontrol rates.

He also argues, however, that this is not necessarily a bad thing. In so far as the economy is widely seen as overheated now, with 9 per cent growth expected this year, higher rates would cool the economy and bring growth close to the long-term potential of 7 to 8 per cent. It would dampen inflationary pressure, reduce demand for imports and thus improve the balance of payments deficit, and lead eventually to lower real interest rates.

"It is painful," he says, "but a sober economist cannot tell you anything else."

Steven Butler

KEY FACTS

Area .... 99,263 sq km
Population .... 42.8 million (1990 estimate)
Head of State .... President Roh Tae-woo
Currency .... Won (W)
Average Exchange Rate .... 1990 $1 = W707.8 15/10/91 $1 = W749.3

ECONOMY	1990	Latest*
Total GDP ($bn)	239.8	n.a.
Real GDP growth (%)	9.0	9.1
GDP per capita ($)	5,603	n.a.
Components of GDP (%)		
Private Consumption	53.6	
Total Investment	37.1	
Government Consumption	10.9	n.a.
Exports	31.8	
Imports	-32.2	
Consmr prices (% change pa)	8.8	9.5
Ind. wage rates (% change pa)	20.1	15.8
Ind. production (% change pa)	8.5	9.5
Reserves minus gold ($bn,Dec)	14.8	13.3
Narrow Money growth (% pa)	11.0	17.5
Broad Money growth (% pa)	17.2	19.4
Discount rate (% pa,year end)	7.0	7.0
Money Market rate (% pa,avg)	14.0	18.4
Govt Bond Yield (% pa,avg)	15.0	18.4
Stock mkt index (% change over year)	-23.5	+0.6
Gross external debt ($bn,Dec)	31.7	n.a.
Current Account Balance ($bn)	-2.2	-5.0
Exports ($bn)	63.1	64.4
Imports ($bn)	65.1	68.9
Trade Balance ($bn)	-2.0	-4.5
Main Trading Partners (1990, % by value)	Exports	Imports
USA	29.8	24.3
Japan	19.4	26.6
West Germany	4.4	4.7

* = 1991 figures (GDP growth - Q1; Wages growth- March; Money growth - June; Ind. production, Interest rates - July; Consumer prices, Reserves - August; Stock Market Index (Korea Composite) - % change from 31/12/90 to 15/10/91; Trade - 12 months up to March 1991.)

Source: IMF, Datastream.

■ FOREIGN SECURITIES COMPANIES

Prising an opening

JUST as foreign investors are about to get their foot in the door of the Korean stock market, so foreign companies are prising *an opening into* the securities industry.

Hitherto limited to representative status, foreign brokers are being issued branch licences on e tranche-by-tranche basis. These licences allow them to conduct business in Korea, receive a share of trading commissions and to become members of the Korean stock exchange. But the privilege does not come cheap.

According to regulations issued this year by the ministry of finance the establishment of a branch in Seoul requires a minimum capital commitmeot of 10bn woo ($13.5m). This amount will allow the foreign company to operate in one of three areas – broking, dealing and underwriting. To participate in two activities costs 15bn won and all three costs 20bn won.

For foreign companies, in particular the non-Japanese companies, which are relatively less-well capitalised, this is a substantial commitment. It is higher than the costs of conducting similar businesses in Jepan, where a licence for dealing, broking and participating in underwriting costs Y200m ($1.54m).

A host of other criteria must also be satisfied. The company must, for example, have had a representative office in Seoul for at least two years and must have had no penalty or suspension relating to its business operations during the past three years.

This last proviso is of particular concern to the big Japanese houses which have been involved in a string of financial scandals in Tokyo. According to Dr Oum Bong Sung, counsellor to the minister of finance in Seoul, no decision has yet been taken on whether, or for how long, to exclude the Japanese houses. Nonetheless, the spate of scandals in Tokyo provides a convenient sxcuse to delay the entry of Nomura et al into the Korean market.

To date, the Korean financial authorities have looked to Europe and the US in the issue of branch licences. Barings Securities, Jarding Fleming, Merrill Lynch and Citicorp Scrimgeour Vickers are the only foreign companies to have been given the go-ahead. A new batch of licences is due in the first half of next year.

None of the four foreign companies to be granted licences expect a quick return. "We are opening a branch in Seoul as part of a long-term commitment to the market," says Mr Philip Smiley, Chief Representative of Jardine Fleming. "We would not expect to immediately make profits."

In addition to the costs of a licence, the foreign branches also face high operational expenses. Barings securities, which has doubled its head count to 30 people over the past year expects to have 50 employees shortly after the market opens. New office space and systems push the price up still further.

The principal source of revenoes for the new branches is likely to be broking Korean equity to established clients. "At first we will concentrate on brokerage business and our primary objective will be foreign institutions," says Mr Duncan Ross, chief representative of Barings Securities. "But in future we want to be a fully integrated operation, including underwriting."

But competition for brokerage will be tough, particularly given the limited scope of market opening. And while commissions may be pushed above the usual 0.4 per cent because of the initial difficulties of trading in Korea, foreign branches will have to split them with the Korean brokers which execute the trade.

Despite the bigh costs of market entry, however, there is a queue of foreign brokers seeking approval to set up branches. One explanation is that the Korean ministry of finance has been seeking to tip the scales in favour of branches as opposed to representative offices.

In particular, ministry officials say that representative offices will be banned from receiving any brokerage commissions. "Securities companies without branches will not be able to receive commissions or even be paid on a fee basis for orders they place" says Mr Kim Dae Chun, managing director of the Korea Securities Dealers Association. But he admits that such a ban may be hard to implement.

There are other advantages, too. "We will be allowed to deal directly with domestic institutions," says Mr Smiley of Jardine Fleming. "As a result, our sources of stock and our sources of information are likely to be better than if we were just a rep office."

"If we are professing to clients that we are the experts on the Korean market then we are going to have to have a presence", says Mr Ross. "Also, clients will want local execution."

But even with branch status, the foreign companies are only half the way to offering full execution. To complete the service they will also need to be members of the Korean stock exchange.

Under the terms of the industry liberalisation guidelines, this, too, is possible. But with full membership of the exchange quoted at a cool 9.7bn won, the privilege, again, comes at a cost.

John Ridding

■ COMMERCIAL BANKING

Dilemma looms

FINANCIAL liberalisation is coming in Korea and it poses a sharp dilemma for Korea's big commercial banks.

On the one hand, deregulation will give banks the opportunity to reverse the steep decline in market share they have suffered over tha past decade – from 60 per cent to 35 per cent of the deposit market. They can reverse the decline because once interest rates are deregulated the banks will finally be able to offer competitive terms on deposit accounts and take full advantage of their extansive network of branches.

On the other hand, the prospect of being forced to compete for the first time on products and prices is daunting for banks that for most of the past 40 years have acted as little more than bureaucratic arms of the government – dispensing loans according to government investment priorities and earning comfortabls margins on government-detsrmined interest rates.

Management culture will have to undergo a revolution. The banks have too many branches and are overstaffed and inefficient. Margins on loans are certain to fall. Banks are only beginning to train the staff needed for proper credit analysis – virtually all loans are collateralised now. And they still have a heavy burden of bad debt to work off.

"We welcome the deregulation of interest rates," says Mr Park Yong-ie, managing director and general manager at Korea First Bank. "In order to compete with foreign banks, change is inevitable," he says. But he admits that most Korean bankers regard the coming changes with a certain dread.

The dread is understandable. One of the first and most painful items on the agenda is a staff reduction of 5-10 per cent, according to Mr W. H. Kee, executive vice-president of the Korea Federation of Banks.

The commercial banks are earning just 0.69 per cent return on assets, compared to 1.93 per cent for foreign banks operating in Korea. "That is a tremendous gap," he says.

The banks are still burdened by about $8bn in non-performing assets, e result mainly of government-directed loan programmes. This amounts to 3.6 times the average capital of the banks, or 2.2 per cent of total loans.

Even this is a vast improvement compared with a few years ago. In 1987, some 5.4 per cent of loans were non-performing. The balance sheets of the banks also improved considerably during the stock market boom of tha late 1980s, when each of the banks raised W470bn in fresh capital. As a result, according to the central bank, only one bank, the Korea Foreign Exchange Bank, has yet to meet capital adequacy requirements of the Bank for International Settlements.

The deregulation of interest rates is expected in Korea to narrow the spreads between deposit and loan rates, as it has elsewhere in the world. In order to maintain profitability, the banks will have to increase volume, learn how to assess profitability and develop new fee-based businesses.

This will not be made any easier, even if it is pushed along by the entry to the market of two new Korean commercial banks, Boram and Hana, which are hungry to expand, and by the aggressive expansion of Citibank, which is establishing a network of branches. Shinhan, which was established in 1983 and is the most profitable of the Korean banks, is also set to jump into the fray.

Hana Bank began life 20 years ago as a non-bank financial institution under the name Korea Investment & Finance Corporation. With the prospective liberalisation of interest rates raising questions about the future of short-term finance companies, KIFC accepted a government invitation this year to convert to a bank, which allows it to develop a branch network while accepting a range of government controls.

Hana has sat up eight branches, plans 14 by the year-end, and 53 by 1993. "In terms of numbers of branches, we can't compete with existing banks," says Mr Yoon Byung-chul, president of Hana. "We will have a different strategy."

That strategy is to try to retain the high net worth individuals who were customers at KIFC, take advantage of the company's expertise in money markets, and to expand the customer base while responding rapidly to changes in markets. Mr Yoon says Hana's customers have an average account size of W80m, compared to W4m at the commercial banks. When rates are finally liberalised, Mr Yoon expects the big banks to adopt defensive strategies aimed at maintaining the low cost of their current funding base. "We do not have existing low-cost funds," he says, "and we can penetrate the new markets easily."

Mr Yoon has his eye on foreign exchange, trust business, leasing, and credit cards. Unlike the commercial banks, for whom liberalisation is an unsettling prospect, Hana is anxious to push the process along as rapidly as possible.

Some observers has suggested that banking liberalisation in Korea would have little immediate impact because the existing big banks would continue to act in a cartel-like fashion to keep both lending and deposit rates from rising too rapidly.

The entry of ambitious banks such as Hana, Boram, and Citibank, however, almost guarantees that if the big banks do adopt a conservative strategy, they will pay a big price: the continued decline in their share of the banking market.

Steven Butler

Market share of banks, non-banks

	1985	1986	1987	1988	1989
Deposits					
Banks	45.2	42.3	39.3	36.1	33.1
Non-banks	54.8	57.7	60.7	63.9	66.9
Loans					
Banks	59.1	57.4	54.1	52.6	52.0
Non-banks	40.9	42.6	45.9	47.4	48.0

Source: Bank of Korea

■ KOREAN SECURITIES HOUSES

Unashamedly gleeful group

KOREAN nationalists may cringe, and monetary authorities may keep a worried eye on the exchange rate, but one group of Koreans is unashamedly gleeful about the opening of the stock market to foreign investors: the Korean securities houses.

The securities business in Korea has been terrible for the past two years. *Trading volume fell by 6.9 per cent to* 10.9m shares traded a day last year; by value, trading fell by 34.2 per cent to 183.7bn won a day.

The value is most important because commissions are calculated as a fixed percentage – 0.4 per cent of the value of the a deal for individuals, 0.3 per cent for institutions.

This year, both volumes and valne are off again, and many (if not most) securities companies are losing money.

The opening of the market is good news because foreigners are expected to spend something between 2,000bn won and 3,000bn won in the first half of next year, filling up institutional portfolios with Korean shares when the market opens to direct foreign investment for the first time.

The conditions governing the opening of the market could themselves encourage something of a buying rush when the doors open on January 1st.

Only 10 per cent of the shares of individual companies will generally be open to foreign buyers, and because the quota limit is expected to be reached rapidly for popular companies, speed is of the essence for any investment manager wanting to balance out a portfolio with a bit of Korea.

As things stand, those orders will have to be placed directly or indirectly through Korean brokers.

That, in any case, is the happy theory propounded by the Korean securities industry. Stock prices are probably already being supported by the expected buying.

"We expect that from now on the market will steadily rise," says Mr Yang Ho-chull, senior managing director at Dungsuh Securities.

That should give the Korean companies the first decent opportunity in two years to unload the billions of dollars of shares they were forced to take on to their books in 1989 at government urging, in an unsuccessful effort to prop up the market.

Marketable securities held by the brokerage companies rose by 150 per cent from March 1988 to March 1989 to 4,967bn won, and rose again in 1990 to 6,859bn won. The figure had declined only marginally by March of this year, according to the Securities Supervisory Board.

"Under strength, Korean institutions will try to sell," says Mr Yang, who expects a temporary downturn in the market in the spring as a result.

The prospect of rising prices and increased trading volume is a particular relief because of the increased competition caused by the entry to the market of six new securities companies in recent months. The new houses have built up their staff largely by raiding the existing companies.

"We feel quite nervous about what is going on," says Mr Yang.

Most of the new entrants are converted short-term finance companies, but one is especially controversial, Korea Development Securities (KDS), a wholly-owned subsidiary of the Korea Development Bank, which is a government-owned bank that has lent long term, and taken equity stakes in Korea's leading companies. "It is nonsense from the beginning," says one securities executive about the concept of having a government-owned broking house.

Mr Yim Yoon-shik, executive director of Lucky Securities, says: "They have some strengths, especially in underwriting business."

This is because KDS may be able to cash in on its extensive bank ties with industry to demand part of the business. Mr Yim, however, sees a clash between banking and securities industry culture. "I really don't think KDS will be very powerful in the securities business," he says.

Mr Edward Kim, international general manager at KDS, says: "Our aim is not to compete with Korean firms but to compete with foreign firms internationally."

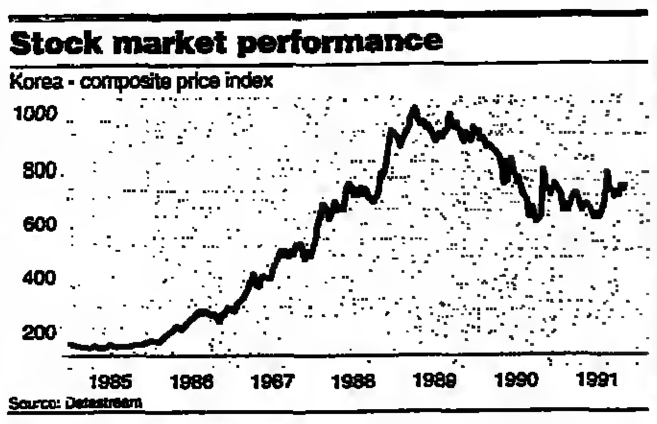
The idea is to capitalise on KDB's international experience, and also to try to develop a long-term debt market within Korea.

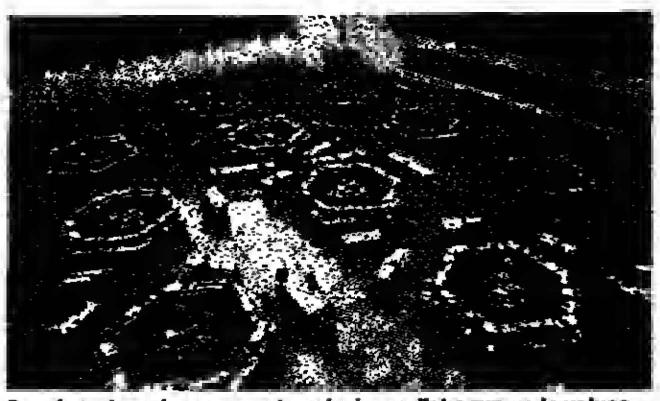
Looking further ahead, the securities companies are hoping get government approval to expand into new business areas, including foreign exchange dealing, taking deposits for cash management accounts, and investment trust and management.

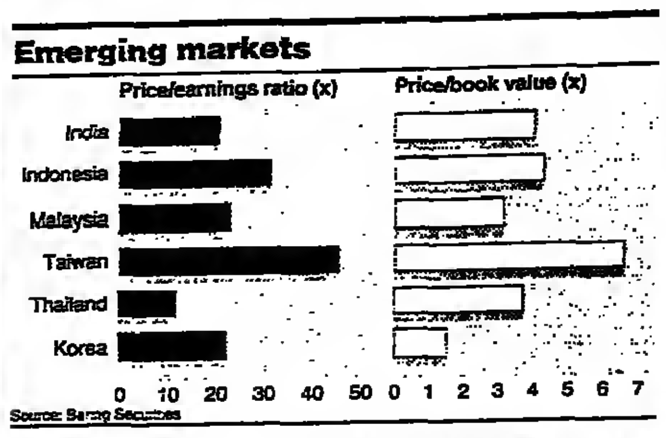
As Mr Yang says: "The securities business is *the* financial company for the 21st century."

Steven Butler

SOUTH KOREAN FINANCIAL MARKETS 4




Seoul stock exchange: most analysts predict a run up in values



Source: Sang Securities

■ THE STOCK MARKET

Cautious opening

WHEN the Seoul stock market opens for business at the beginning of January next year it will also, for the first time, be *opening its doors to direct* foreign investment.

It is not a dramatic opening; more a cautious crack. But as the largest market in the world still closed to foreigners, and as a window to one of the world's most dynamic economies, the liberalisatioo of the Seoul bourse is drawing the interest of the international investment community.

In line with the conservative stance adopted by the Korean government on most issues of financial reform, the opening of the stock market is limited. Foreigners will be only allowed to buy up to 10 per cent of the outstanding shares of most companies on the stock exchange.

For companies involved in so-called "sensitive" industries, which range from mining to financial services, the limit will be 8 per cent. For a few others, such as Kepco, the giant electricity company, no foreign ownership will be allowed at all. For foreign individuals, there will be a uniform ownership limit of 3 per cent of outstanding shares.

Moreover, outstanding euromarket issues, such as convertible bonds and boods with warrants, will be included in the ownership ceilings, as will existing direct strategic investments such as joint ventures or minority equity participation. What this means, for example, is that a company such as Kia Motors – which is already 10 per cent owned by Ford of the US and 8 per cent owned by Mazda of Japan – is already in breach of the 10 per cent limit.

Seoul's ministry of finance says that in such cases permissioo can be obtained from the Securities and Exchange Commission to raise foreign ownership ceilings. But new limits will be assessed on a case-by-case basis, raising concerns about consistency and the transparency of the process.

Korean officials defend the limited scope of the opening by emphasising the problems which would result from large inflows of foreign capital. They argue that the ownership limits will be further expanded as the impact of foreign ownership is digested.

"This is just the first step," says Dr Oum Bong Sung, counsellor to the minister of finance. "The market will gradually be opened wider on a step-by-step hasis." For the moment, however, and given the various restrictions, the maximum foreign capital which can flow into the market after its opening is abont $6.7bn. How much of this will enter the exchange depends on the attractions of the underlying market and the practicalities of trading Korean shares.

On the first count, the Seoul stock exchange is clearly not the go-go market of 1987 and 1988 when the index nearly doubled in successive years on the back of a dramatic export-led economic boom. Since then, economic worries have brought the index firmly back to earth.

From a peak of 1,007 points in April 1989, it has slumped to a current level of about 715. Along with Jakarta, it is the only regional market to have fallen this year.

But for new buyers, of course, this is potentially good news. The market now has a weighted average price-earnings ratio of about 20 times, cheaper than Japan and Taiwan. Measures such as price-to-book value and price-to-cash flow reveal a still cheaper market.

By the time it opens, it is likely to be less cheap. Most analysts predict a run up in values before the end of the year as local investors anticipate the boost of an influx of foreign capital. There is the added caveat that, following a rapid run up, there may be quick local selling once the market is open.

According to Mr Ho C. Yang, managing director of Dongsuh Securities, Korea's second largest securities company, most of the large local brokers are seeking to rid themselves of equity which they accumulated over the past 18 months in an attempt to stabilise the falling Korean market.

But for most foreign investors, considerations are longer term. Consequently, it is the hroader ecooomic and corporate prospects which are of greater importance in determining the attractions of the market. On this score, there has been a substantial swing in the pendulum away from the bullish optimism of the late 1980s which cast Korea as the new Japan and discounted the substantial hurdles facing Korea's newly industrialised economy.

The current pessimism, however, centred on a yawning trade deficit and rising inflation is eqnally misleading. Korea is likely to remain one of the world's fastest-growing economies, through the mid-1990s at least, and its current problems are the result of oecessary industrial and social restructuring.

A similar story is found at the corporate level. While many companies are facing harder times, due to reduced competitiveness in international markets and a domestic financial squeeze, many have good prospects. This is not just the case for giant blue chips such as Samsung Electronics and Hyundai Motors, but also for several of the lesser known, smaller companies.

"There is tremendous value to be found among smaller companies" says Mr Peter Irving, managing director of Korea Schroder Fund Management. But he adds that high levels of gearing place a premium on a careful examination of fundamentals.

That foreign interest exists can be seen from the existing equity-related instruments. Convertible bonds, bonds with warrants and unit trusts continue to trade at a *premium* to underlying shares, albeit less than the excessive levels of 1988 and 1989.

In anticipation of foreign demand, a number of new investment vehicles are being created. Warburgs, for example, is launching a $100m investment trust for the Korean market to be managed by Schroders Investment Management.

But whether the attraction of the Seoul exchange translates into a successful market opening depends crucially on the practicalities of trading.

In this respect, the setting of ownership limits has fostered a series of difficult issues. In particular, and after some wavering, the ministry of finance appears to have decided against allowing over-the-counter trading or the establishment of a foreign board. As a result, trading in the most popular isnes is likely to become rapidly congested.

There are also concerns about the practicalities of investment. From minor hindrances snch as the use of identity cards to more substantial worries such as the ease of repatriation of capital and dividends there remains a number of grey areas.

Mr Kim Tae Chun, managing director of the Korea Securities Dealers Association and head of a task force which is preparing the mechanisms for market opening, believes the systems will be ready. "We are at the stage of confirming the procedures" he says.

Just how well these procedures work, however, will be tested in two months.

John Ridding

Extracts from an interview with finance minister Rhee Yong Man

Financial liberalisation

INTERVIEWER: The past few months have seen several announcements regarding the liberalisation of Korea's financial markets. These include the deregulation of interest rates, the opening of the securities market and industry and the easing of regulations on foreign exchange movements. But all the proposed reforms are very gradual. What is limiting the pace of liberalisation?

MR RHEE: There is a need to actively pursue a policy of financial liberalisation, including the deregulation of interest rates, in order to back our ecooomy's stable growth and to effectively respood to the movement towards financial internationalisation.

Factors slowing down the pace of liberalisation include inflation and a deficit on the balance of payments. The stability of the economy is an important prerequisite for the successful implementation of financial liberalisation.

Our priority is to focus on our economy's structural problems that impede the liberalisation process. Efforts to *strengthen commercial management* of financial institutions, including promotion of healthy competition, will be stepped up in order to absorb the shocks accompanying liberalisation.

Also targeted for reform are bank lending practices based on collateral rather than credit ratings, collusion of financial institutions and the loose attitude taken by the institutions' managements.

INTERVIEWER: In the past, the government has used its control of the financial system to regulate investments in the real economy and thereby to promote Korea's economic development. Is the government concerned that the process of financial liberalisation will reduce its control of the economy?

MR RHEE: Financial liberalisation is a process to have market forces play a greater role in the economy. In essence it is a process to weaken direct government control in order to increase efficiency.

Therefore, I believe the government has to accept the fact that its control of the economy will be weakened.

Nonetheless, the responsibility for achieving certain economic goals remains with the government, regardless of the progress of financial liberalisation. In this regard, the government *will endeavour to develop* a wide range of indirect and market-oriented policy tools in the place of direct control.

INTERVIEWER: What are the main economic costs and benefits which will arise from financial liberalisation?

MR RHEE: Benefits would include increased efficiency in the financial sector through the strengthened role of financial intermediation and the encouragement of innovation. It would contribute to the development of the real sector by enabling the efficient allocation of funds.

It is also true, however, that this process could include considerable costs to an economy as is evident in many foreign countries' experience.

In general, financial liberalisation increases instability in the system. It may aggravate the financial conditions of some institutions as a result of increased competition, higher interest rates accompanied by shortened maturity and general problems of market failure.

There are some coocerns that financial liberalisation will lead to higher interest rates in the early stages which will hurt manufacturing industry. However, the alternative to interest rate liberalisation is controlled interest rates. This would discourage savings and provide financial institutions with less incentives for strengthening their competitiveness.

INTERVIEWER: Does the Korean government feel there has been too much foreign pressure for liberalisation of Korea's financial markets? And does the Korean government feel that it has now done enough to satisfy the demands of trading partners?

MR RHEE: I would like to make it clear that Korea's financial liberalisation is being pursued, not because of pressure from abroad, but because of the Korean government's need to facilitate the economy's development and internationalisation. Accordingly, financial liberalisation is being pursued in keeping with Korea's economic conditions.

It is true, however, that some trading partners have at times voiced concerns abont the pace and extent of financial liberalisation.

I feel that most of the requests from major trading partners have already been reflected in the process. To be sure, some remaining requests will be accommodated in the long run as the Korean economy further develops.

It is very difficnlt to accommodate requests that are either unreasonable or way out of line with the current level of Korea's economic development. I should also point out that excessive and undue pressures would end up backfiring and hamper the very process of liberalisation.

John Ridding and Steven Butler


Rhee: 'stability of the economy is an important prerequisite'